Alberta Ministry of
Resource Development

Annual Report
1999 – 2000

Alberta
RESOURCE DEVELOPMENT

100-07536/

Alberta Ministry of
Resource Development

Preface

Public Accounts 1999-2000

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released in June contains the Provincial Treasurer's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* Report.

This annual report of the Ministry of Resource Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan.

This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry: the Department of Resource Development (including Forest Industry Development and the Northern Alberta Development Council), the Alberta Energy and Utilities Board and the Alberta Petroleum Marketing Commission;**
- **other financial information as required by the Financial Administration Act and the Government Accountability Act, either as separate reports or as part of financial statements, to the extent that the Ministry has anything to report; and**
- **financial information relating to accountable organizations and trust funds.**

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2000, was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All the government's policy decisions as at August 31, 2000 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

M. Cardinal

Mike Cardinal

Minister of Resource Development

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A Message from the Minister of Resource Development

Albertans are the beneficiaries of a tremendous wealth of natural resources, including forests, coal, oil and oil sands, natural gas, and metallic and industrial minerals.

Resource development in Alberta takes place through a partnership where Albertans, the resource owners, make their resources available to the private sector for development within a regulatory framework that ensures environmental sustainability and wise use.

The Ministry of Resource Development includes three organizations:

- The Department of Resource Development (DRD), whose role is to ensure Alberta's resources are developed in a way that optimizes their value for the people of the province;
- The Alberta Energy and Utilities Board (EUB), whose role is to regulate the energy industry in a way that protects individual, public and industry interests; and,
- The Northern Alberta Development Council (NADC), whose role is to advance development in Northern Alberta.

The NADC was transferred to the Ministry from Executive Council in the government reorganization of May 1999. The reorganization also created a new Forest Industry Development Branch (FIDB) in the Department, drawn from the Ministries of Environment and Economic Development. The Ministry's name changed from Energy to Resource Development to reflect these changes in responsibilities.

Responsibility for the Alberta Oil Sands Technology and Research Authority (AOSTRA) transferred to Alberta Innovation and Science, to concentrate the government's research function under one umbrella, and the Environmental Affairs Branch moved to Alberta Environment to become part of the new Bureau of Climate Change.

This annual report captures developments that occurred over the past fiscal year, and reflects the Ministry's commitment to maintaining a healthy and responsible resource sector that continues to provide maximum benefits to Albertans. The following are some of the highlights of this year's achievements.

Increased revenues due to strong commodity prices

The 1999-2000 fiscal year saw dramatic increases in crude oil and natural gas prices. The year opened with the West Texas Intermediate crude oil price, an industry benchmark, at $16.63 US per barrel. By year-end, that had increased 61.2 per cent to $26.90. On March 7, the price reached $34.13 – a new post-Gulf War record. There was a similar story with natural gas, with the Alberta spot price rising from $2.22 Cdn per thousand cubic feet to $3.11 over the course of the fiscal year – a 40 per cent increase.

As prices rise, the royalty share of production that Albertans keep as resource owners also increases. Strong oil and gas prices pushed Ministry resource revenues to $4.97 billion, nearly double the previous year's total of $2.73 billion. Ministry resource revenue was the third largest contributor to the provincial treasury, after income and other taxes.

Softwood lumber producers had a banner year in Alberta in 1999 with high prices and stable production costs. The Alberta pulp sector also began to see an improvement in its economic outlook. As a result of rising consumption in the US, the world pulp industry moved into an under-supplied position for the first time since 1995.

Continued progress towards a competitive electric industry

Alberta continued to restructure the electric industry in preparation for customer choice to begin on January 1, 2001. A major step was the creation of Power Purchase Arrangements (PPAs) that will provide for the long-term sale of power from previously regulated facilities. Several key regulations were developed, including one that allows independent power producers to offer direct sales, and another that encourages solution gas from oil production to be used for power generation when the gas would otherwise be flared.

Staying competitive

With reorganization comes the desire to be more competitive, to be more efficient and to be more effective. DRD undertook several initiatives during the 1999-2000 fiscal year to ensure Alberta's resources continue to be managed responsibly with a significant, positive return to Albertans.

In previous years, pipeline capacity (both oil and gas) was insufficient to meet demand. With the completed crude oil and natural gas pipeline expansions, crude oil apportionment is no longer an issue, and there is now an excess of "takeaway" pipeline capacity from Alberta.

The Ministry also continued work to strengthen the competitiveness of the oil and gas sector through the Volumetric and Infrastructure Petroleum Information Registry (VIPIR) project with increasing commitment, support and resources from industry.

Regulatory highlights

Alberta's resources are the primary drivers of the provincial economy, but they must be managed responsibly, and in a manner that preserves our most precious resource, our environment.

During 1999, the EUB launched four major initiatives related to both petroleum resource development and important environmental issues. These were: upstream petroleum industry flaring; sulphur recovery and grandfathering; appropriate dispute resolution, and sour gas safety review. In July 1999, the EUB announced details of new upstream petroleum industry flaring requirements, which will greatly reduce flaring in Alberta. In September, a discussion paper was made

publicly available on sulphur recovery and grandfathered gas plants (sour gas processing plants built prior to 1988 which were exempted from new sulphur recovery guidelines). This initiative will help address sulphur recovery issues. In October 1999 a consultation document was released discussing the EUB's appropriate dispute resolution initiative, which will provide landowners with a new mediation and facilitation tool in their dealings with petroleum companies. The Board's most important new initiative was announced in December, when it launched a multi-stakeholder sour gas safety requirements review, which includes a comprehensive public consultation process to assess safety measures used when developing sour gas resources.

Resource Development also undertook initiatives to ensure the sustainable development of Alberta's resources. In July, DRD issued an Information Bulletin related to the Otherwise Flared Solution Gas Royalty Waiver Program and worked to complete industry consultations regarding carbon dioxide injection technology and royalty implications. The Department is presently collaborating with other ministries to develop a Flaring Health Study, and a process to guide the Northern East Slopes (NES) Sustainable Resource and Environmental Management Strategy is also in the development stage. The Department also continued efforts to raise the profile of Special Places with industry.

Forest Industry Development

The transfer of Forest Industry Development to Alberta Resource Development has helped raise the profile of forestry's socio-economic benefits to Albertans. The new branch is better positioned to address industry concerns, ensuring they are being reflected in policy development processes. The Department moved quickly on new development opportunities, such as the highly successful Request for Proposals for North-Central Timber. It took a leadership role in advancing the Long-Term Strategy that will provide direction on forest industry development policies for the next decade. It also worked with Alberta Economic Development to develop a benchmark study to assess the contributions of the secondary manufacturing wood products industry. This will allow the province to set new policies that help foster growth.

Northern Development

The Northern Alberta Development Council (NADC) seeks to foster development in Alberta's northern communities. As former Chair of the NADC and as Minister responsible for northern development, I spent the last year working with members of the NADC to bring this goal to fruition. The NADC led a number of very successful initiatives last year such as Leaders' Roundtables, the Challenge North: Planning for Progress conference and the Alberta-NWT Memorandum of Understanding (MOU) for Cooperation and Development. Northern Alberta is a powerful engine of this province's economy and has much to offer in terms of economic opportunities. The NADC, in conjunction with DRD, will continue to explore development opportunities in Alberta's North.

Summary
Until very recently, this Ministry was known as the Ministry of Energy and focussed almost exclusively on the management of Alberta's energy resources. As we move further into the millennium, our scope broadens, and we are now charged with the development of Alberta's resources. The Ministry of Resource Development has pledged to manage these resources to ensure the best possible return for Albertans, while standing firmly by our commitment to sustainable development.

Alberta is truly the best place to live. We have an abundance of educated, skilled workers, an economic climate that welcomes investment and an abundance of untapped wealth. I see great promise and prosperity ahead for Albertans. Through a responsible, accountable system of resource management, Alberta Resource Development will continue to meet and exceed that commitment.

M. Cardinal

Mike Cardinal

Minister of Resource Development

Statement of Management's Responsibility for Reporting

The Ministry of Resource Development includes:

Alberta Department of Resource Development
Alberta Energy and Utilities Board
Alberta Petroleum Marketing Commission
Northern Alberta Development Council

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. As Deputy Minister, I ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry for the year ended March 31, 2000, rests with the Minister of Resource Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, Treasury Board, the Provincial Treasurer, and the Minister any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

K.R. Sk

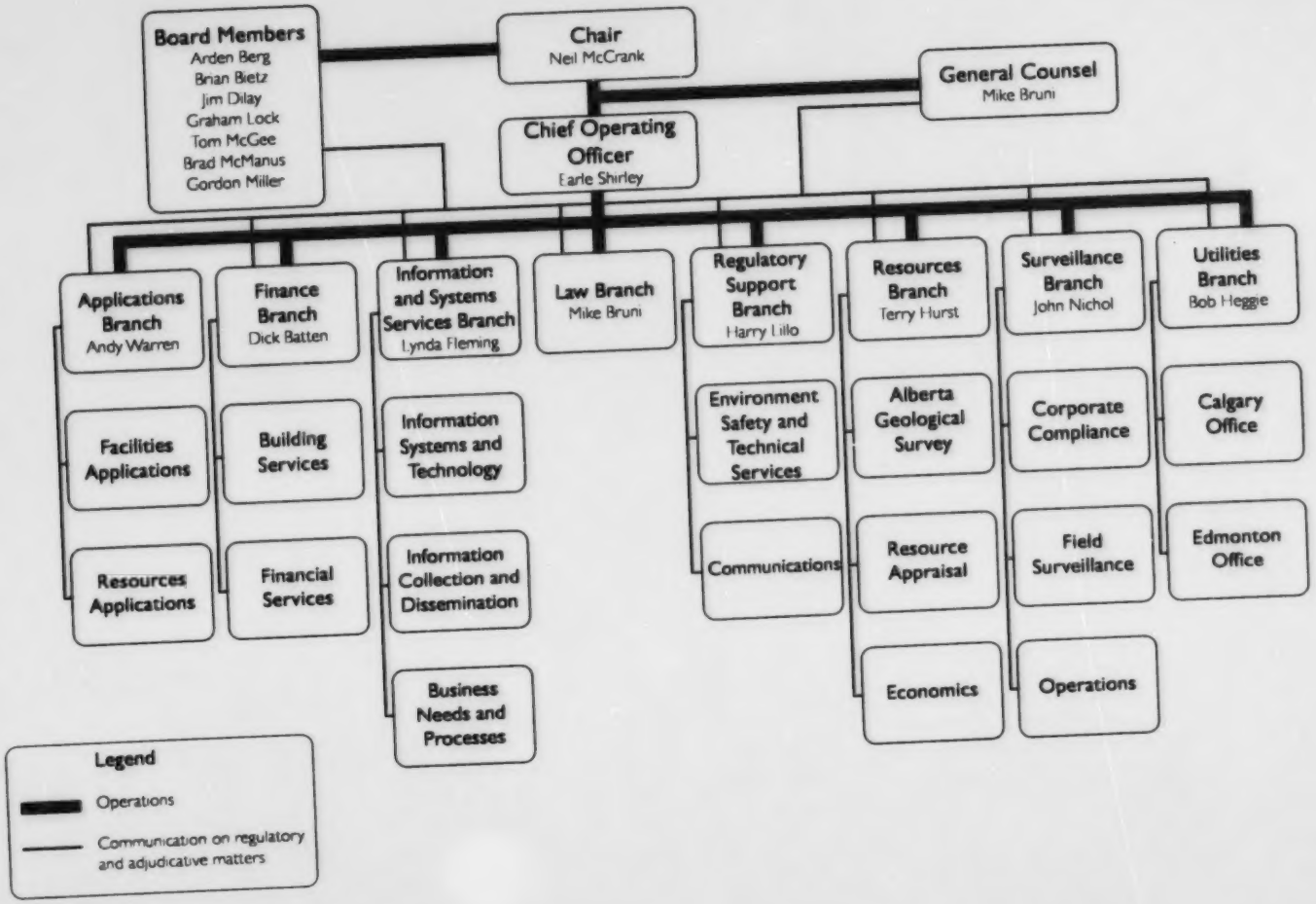
Ken Smith, Deputy Minister
Department of Resource Development

Operational Overview

The Alberta Ministry of Resource Development ensures that Alberta's resources are developed in a way that optimizes their value for the people of the province and supports the Alberta Government's vision of people, prosperity and preservation.

Ministry of Resource Development

EUB Organization Chart



Operational Overview

Department of Resource Development

Core Businesses

The Department's core businesses are industry development, resource stewardship and revenue management. The key responsibilities are to:

- establish Albertans' share from mineral resource development;
- assess, levy and collect revenue;
- foster development, investment and trade in Alberta's energy and mineral resources; and
- manage the disposition of mineral rights.

Operations and Services

- The Mineral Operations Division is responsible for the disposition of mineral rights; assessing, levying and collecting mineral resource revenue from rentals, bonuses, royalties and freehold taxes; and providing support in resolving land access issues. The Division is also responsible for overseeing the marketing of the Crown's royalty share of crude oil production.
- The Planning and Development Division provides market intelligence, analysis and projections; revenue forecasts; policy reviews and advice; and stakeholder consultation and collaboration. In partnership with stakeholders, the Division delivers programs to support development of effective resource and energy markets and provides proactive responses to policy, procedure and structural changes to optimize the development of and sustained contribution from Alberta's energy and mineral resources.
- The Corporate Services Division provides the Department with support for finance, administration, planning, human resource development, information technology, internal audit and freedom of information and protection of privacy.

Five Branches report directly to the Deputy Minister:

- The Communications Branch provides communications support and service to the Department and the Ministers.
- The Electricity Branch provides leadership in increasing the efficiency of the electrical industry and creating a competitive electricity marketplace for the benefit of Albertans.
- Legal Services provides energy-specific advisory services to the Department of Resource Development through the Ministry of Justice.
- The Forest Industry Development Branch makes policies relating to forest industry development, forest product exports and forestry revenues.
- Northern Development Branch, which supports the Northern Alberta Development Council.

Analysis of Key Activities

Oil and Oil Sands Activities

Alberta's oil industry is a primary driver of the province's economy. It is in part, responsible for Alberta's GDP growth of 2.5 per cent in 1999, and contributed significantly to job creation and economic prosperity for Albertans.

Oil prices were volatile during the 1999-2000 fiscal year. The price averaged $23.16 US per barrel of West Texas Intermediate, well above the forecast price of $13.50 US per barrel. Price gains were caused by an OPEC agreement to curtail production, which saw a global oversupply become a supply shortage, and inventory levels fall beyond the historic low levels last seen in 1996. With demand remaining strong, prices topped $34 US per barrel in March 2000 - a new post-Gulf War high. Consumers felt the tightness of the market as gasoline pump prices increased significantly.

High prices of oil and steady drilling activity increased Crown oil revenues. Crude oil royalties were $1.1 billion in 1999-2000, up from $450 million the previous year. Crude oil royalties are taken in-kind (as product), not in cash. Since 1996, the Crown's royalty on conventional crude has been sold through marketing agents. The average price realized by the private-sector agents that market Alberta's royalty crude exceeded all established benchmark prices. The average prices realized on behalf of the Crown are as follows:

- light sweet crude oil- $\$.69/m^3$ above sweet crude oil postings at Edmonton;
- light sour crude oil- $\$.84/m^3$ above sour crude oil postings at Hardisty and Edmonton;
- heavy crude oil- $\$.90/m^3$ above heavy crude oil postings at Hardisty.

Also noteworthy is Alberta's increased pipeline capacity, which eliminated the need to apportion crude oil. In the past, the Department was asked by industry to operate the West Coast Initiative. This initiative moved crude oil to the West Coast at a time when restricted pipeline capacity resulted in apportionment on pipelines to prime markets in the US Midwest. Apportionment is the rationing or allocation of pipeline space when marketable volumes exceed available pipeline space. The completion of Enbridge's SEP II pipeline expansion helped resolve this problem, with pipeline apportionment rapidly declining during 1998 and dropping to zero in 1999. Apportionment is not an issue at the present time, and is not likely to be for the foreseeable future.

Advances in technology and high oil prices created conditions for growth in the development of Alberta's oil sands. A number of new oil sands projects totalling nearly $25 billion were approved during the year, which will fuel economic development, employment and spending in many sectors in northern Alberta and major centres. One important development was the approval of Shell's multi-billion dollar Muskeg River Mine Project.

A new tenure regulation for oil sands was completed on March 8, 2000, following consultations and cooperative work by government and industry. The new regulations will help bring stability to oil sands development over the next 15 years by standardizing lease terms and encouraging industry to bring non-producing leases into production.

The Department will also look for ways to economically improve recovery of conventional oil and develop business rules for the implementation of the new oil sands tenure regulations. Work will continue on the automation of the mineral disposition process.

Natural Gas and Natural Gas Liquids

Natural gas prices continued to increase in response to rising crude oil prices and increased demand due to cold weather in much of the US, low storage inventories and increased natural-gas fuelled electricity generation. Prices were $2.66 per thousand cubic feet (Mcf), higher than the forecast price of $2.02/Mcf. As a result of the higher natural gas price and the higher oil price (which affects by-product prices), natural gas and by-product revenues were $2.441 billion in 1999-2000 compared to $1.467 billion in 1998-99.

During the past year, the Minister received a report from the "Ethane and NGLs Task Force." The report reviewed changes underway in the market place, and noted the obligation of the government to ensure fair value to Albertans regarding the development of their resources.

After consideration of the Task Force report, the government announced changes that will align Alberta's gas and natural gas liquids (NGL) royalty regime with ongoing evolution in the industry. The changes will affect the manner in which the Crown calculates the royalty share and value of gas NGLs.

Implementation of the changes is being discussed through consultation with a broad range of industry stakeholders. These include gas producers, the NGL extraction industry, pipeline companies, the petrochemical industry, industrial gas users and the Alberta government.

In recent years, Alberta's "takeaway" pipeline capacity has been insufficient to meet demand, and, whereas crude oil is apportioned to address insufficient pipeline capacity, the market value of the province's natural gas resources simply drops in response to this situation. Recent additions to pipeline capacity (such as the TransCanada Pipelines and Foothills/Northern Border expansions) have addressed this problem. Currently, Alberta has an excess of pipeline "takeaway" capacity.

Resource Development will continue to consult with a variety of stakeholders to identify issues and move toward direct sales to natural gas core markets and core market customer choice.

Coal

Alberta coal exporters experienced another difficult year in 1999-2000. Export prices and volumes were down, as were revenue and operating profits. Domestic markets were not impacted by the weakness in export markets. Deliveries of marketable coal in 1999 totalled 34.2 billion tonnes, valued at $500 million, from 12 major mines.

The Department hosted a steel mission delegation from Japan, one of the province's major markets for coal exports, and participated in developing the terms of reference for a coal study being conducted in conjunction with Alberta Economic Development.

Forestry

1999-2000 was a banner year for Alberta softwood lumber producers with high prices, low production costs and rising consumption in the US due to an extended construction season and stable interest rates in early 1999. This led to record high lumber prices in the third quarter of 1999. The increase in Canadian softwood lumber production was less dramatic – a four per cent increase between the fourth quarter of 1998 and the second quarter of 1999, due to restricted access to the US market in the form of the Canada-Softwood Lumber Agreement (which expires on March 31, 2001). The world pulp industry moved into an under-supplied position for the first time since 1995. World chemical paper-grade pulp capacity rose by less than one per cent in 1999, while demand grew between two per cent and three per cent.

Forest Industry Development was transferred to Alberta Resource Development from Alberta Economic Development during the 1999-2000 fiscal year. Since then, the Department led and completed a request for proposals to reallocate timber in north central Alberta. A blue ribbon committee reviewed submissions based on forest management, financial and socio-economic criteria. The successful proposals will result in forest product facilities in Valleyview, Grande Prairie, Wabasca, Janvier and Prosvita, representing a total of $200 million in new investment. The Department is also leading tenure and allocation negotiations with Alberta forestry companies. This includes companies with Forest Management Agreements or Letters of Agreement. The Department is also participating on the Alberta Softwood Lumber Advisory Committee and on the Forest Industry Development Strategy Committee.

Recognizing that the Alberta forest industry operates in an increasingly global economy and complex business environment, the DRD, along with industry stakeholders, began working on a Forest Industry Development Strategy to be released in the coming year. The strategy will address goals, strategies and targets for the forest industry over the next decade.

During the year, Alberta Resource Development also released the Alberta Forest Products Industry Overview and Economic Impact Report which provides information regarding key economic indicators such as industry-generated revenue, employment and value of export shipments.

Electricity

Progress continued with the development of a competitive electricity market in Alberta, and all key restructuring milestones during the fiscal year were met.

A key objective of deregulation is to provide a competitive and efficient marketplace for new power producers. To ensure competition, barriers to new market participants must be removed. Eliminating these barriers has been achieved through various methods such as the development of new opportunities for independent power producers (IPPs), created by the Direct Sales Regulation. This regulation allows IPPs and buyers to enter contracts for both price and physical supply for energy, allowing IPPs to raise capital for future expansion and growth.

Through extensive consultation, Power Purchase Agreements (PPAs) have been created to enable deregulation of the regulated facilities in Alberta and to provide for long-term sale of electric power from previously regulated facilities. The PPAs represent more than 7,000 megawatts of electricity produced in generating units that were built in Alberta under regulation. Successful bidders in the PPA auction (August 2000) will acquire rights to sell power produced from these units. A marketing program was launched to promote the auction.

During 1999, there was a 40 per cent increase in the number of power pool participants, a goal not expected to be met until 2000. A direct access tariff was introduced to provide a framework for the introduction of customer choice in electricity in the upcoming fiscal year.

The Department worked with Alberta Treasury to manage taxation issues surrounding the restructuring of the electricity industry. Resource Development also worked with Alberta Urban Municipalities Association (AUMA) to develop increased understanding and support for restructuring of the electrical industry and is working closely with Alberta Government Services to ensure municipally owned utilities do not have advantages in the marketplace due to their unique tax status.

Another important achievement for the electricity industry was the development of the Flare Gas Regulation, which encourages the economic use of solution gas for electric power generation, when that gas would have otherwise been flared. In addition to being more environmentally friendly than flaring, this regulation reduces barriers for IPPs and creates new opportunities for flare gas producers.

Some key milestones for the future follow:

- **2000: PPA auction**
  - Utilities finalize distribution tariffs that will be charged to retailers using distribution wires.

- **2001: Long term PPAs begin (2001 to 2020)**
  - Customer choice introduced for all consumers.
  - Full competition for retail services begins.
  - Five year regulated-rate option introduced for home and farm customers, three years for eligible small commercial and industrial customers.

The Department will continue deregulation of the electrical industry to meet the 2001 target for customer choice.

Environment

A major goal of this Ministry is the sustaining of growth opportunities in the energy and mineral resource sectors through the development of responses to environmental concerns, particularly climate change.

In July 1999, the Department issued an Information Bulletin related to the Otherwise Flared Solution Gas Royalty Waiver Program. In response to industry concerns, the program's application criteria were made significantly more adaptable by considerably increasing the number of pre-qualified wells. Resource Development is also working with ministries to develop a scientific review (Flaring Health Study) of the impact of human and animal exposure to flare gas emissions.

Alberta Resource Development also worked to complete industry consultations regarding carbon dioxide injection technology and royalty implications. This included developing and building consensus around a strategy for gathering and sequestering industrial emissions of carbon dioxide. Alberta also participated with the Province of Saskatchewan in joint funding and information sharing from development projects such as: the Alberta Research Council's (ARC) Coal Bed Methane project, the Saskatchewan Energy and Mine's pilot facility for extracting CO_2 gas from flu gas and the Alberta Government Services study on potential sites for storing carbon dioxide.

The Department continued to provide technical and analytical support to the Special Places program and provided departmental input to the MLA committee review of issues arising from Special Places. Work also continued with Alberta Environment to identify and resolve management conflicts resulting from the reclassification and further designation of protected areas.

Resource Development contributed to the development of a process and framework that will guide the Northern Eastern Slopes (NES) Sustainable Resource and Environmental Management Strategy. The NES strategy supports Alberta Commitment to Sustainable Resource and Environmental Management Policy (1999), which provides direction for managing Alberta's natural resources and protecting the environment.

The DRD will continue to develop agreements with Alberta Environment regarding emissions and cumulative effects.

Other Minerals

The Ministry's goals and strategies aim to optimize benefits to Albertans not only from the sustainable development of the province's forests, oil, gas, oil sands and coal reserves, but also from metallic and industrial minerals.

An interdepartmental team consulted with industry, environmental and Aboriginal groups to discuss the means to support the exploration and development of metallic and industrial minerals in Alberta. The draft non-energy minerals strategy, which focuses on improving geoscience information and attracting exploration investment to Alberta, will be completed in the upcoming year.

Work continued to automate mineral rights dispositions. This multi-year project, when completed, will see the fully automated disposition of metallic and industrial mineral rights, oil sands rights and petroleum and natural gas rights. The new system will enable the Crown to effectively handle increased volumes of oil sands and metallic applications. The project will yield efficiency gains for Crown and industry through reduced turn around times and will bring automation to existing manual Crown processes.

Operational Overview

Alberta Energy and Utilities Board

Core Businesses

Public Accounts 1999-2000

The Alberta Energy and Utilities Board (EUB) core businesses are Adjudication and Regulation, Applications, Surveillance and Enforcement, and Information and Knowledge. The key responsibilities are to:

- adjudicate and regulate matters relating to utility rates and the development and transportation of energy resources;
- ensure energy resource development is in the public interest;
- ensure public safety and environmental protection through regulatory requirements, surveillance, and enforcement; and,
- ensure the availability of energy resource information to support responsible development.

Operations and Services

EUB Branch Summaries

Law

The Law Branch provides a wide range of legal advice and services to the organization with a focus on procedural fairness and objectivity. This encompasses application and regulatory policy, hearings and proceedings and related internal and external consultations, and the formulation of energy and utility regulations and legislation. The branch administers intervenor funding and leads a key advisory committee that advises the Board on decisions and policy matters.

Applications

This branch – made up of three groups – provides an integrated, streamlined approach to the processing of some 20,000 energy development applications per year. Staff handle project reviews, audits and approvals related to new or modified oil and gas facilities such as wells, pipelines, batteries and gas plants. The branch also looks after development and conservation projects for oil, gas, oil sands and coal. Economics staff provide market analysis and socio-economic evaluation for major applications, as well as general economic expertise.

Surveillance

This branch brings together all surveillance, enforcement, technical and compliance functions related to ongoing operations of thousands of energy facilities in Alberta. Operating out of eight centres, field staff inspect construction, operation and abandonment operations at oil, gas, and oil sands facilities, respond to emergencies and public complaints on a 24-hour basis, facilitate resolution of landowner-industry conflicts, participate in public-industry liaison committees, and ensure a consistent approach for non-compliant operators. The branch also oversees the technical and public safety requirements of drilling and completion operations, production facilities, oilfield waste and disposal schemes and administers the orphan well and facility program. In addition, staff provide a focus for all enforcement and compliance actions across the EUB.

Information and Systems Services
This branch is responsible for the EUB's information systems, support and technological infrastructure with a focus on new ways to deliver electronic commerce. Another core area is the collection and dissemination of energy resource information, including oil and gas production which are also used to determine provincial royalties, well records, regulatory publications, maps and various energy databases.

Resources
This branch is comprised of the Alberta Geological Survey (AGS) and the Resource Appraisal Group. The Resource Appraisal Group provides an independent assessment of oil, oil sands, gas and coal reserves in the province of Alberta. The AGS Group provides geoscience research, information and expertise that support development of the province's mineral and energy resources. Both groups also provide technical expertise in support of the application and hearing processes.

Utilities
This branch is responsible for regulating investor-owned natural gas, electric and water utilities to ensure that customers receive safe and reliable service at just and reasonable rates. This regulatory role is currently in a state of evolution in light of the ongoing deregulation of the natural gas and electric industries. Staff also respond to customer inquiries and complaints respecting utility matters. In addition, the branch ensures that electric facilities are built, operated and decommissioned in an economic, efficient and environmentally responsible way.

Finance
This branch provides corporate services to the EUB, including building, administrative and library services, as well as revenue and expenditure management and administration of the industry funding levy. In addition, staff coordinate the preparation of the three-year business plan and performance reporting.

Human Resources
This branch provides services and programs to ensure a competent and committed workforce is in place to achieve EUB goals and objectives. This work encompasses human resource planning, compensation planning and organizational effectiveness strategies. Additionally, this branch delivers employee relations, staff development, health and wellness, and recruiting programs.

Regulatory Support
This branch coordinates EUB public and environmental affairs. Staff provide advice and implementation for organization-wide regulatory issues such as environmental protection, public safety, and regional development and cumulative effects. The branch also develops communication and consultation strategies, and delivers related media, website and document services to keep staff and stakeholders informed about EUB activities.

Key Factors Influencing Performance

Oil and gas drilling activity rebounded from its modest showing of 1998-99 because of much stronger prices, and once again approached the record-setting pace of 1996-97. As a result, well license applications reached 23,964 - 17 per cent more than the previous year, although still below the record set in 1997. As well, there were sustained high levels of activity for related projects such as pipelines and surface facilities.

In response to landowner concerns about oil and gas development, the EUB was working on five major initiatives in 1999-2000. These included more direct field staff facilitation of landowner concerns, new guidelines for appropriate dispute resolution, ongoing implementation and clarification of flaring requirements, a review of sulphur recovery guidelines and a major multi-stakeholder process to review public safety requirements for sour gas.

As part of the movement to full deregulation of electric utilities, the Board issued several key decisions in 1999-2000. These continued the process of defining the role of the EUB in a deregulated environment to safeguard the balance between public and industry concerns.

Earlier efforts to develop a more consistent approach to enforcement showed evidence of high industry compliance in 1999-2000 in several key program areas such as inactive wells, well testing and oil and gas production reporting.

Alberta's development of its mineral resources is still in its infancy. The EUB, through its responsibility for the Alberta Geological Survey, began a comprehensive program to increase geological mapping and geoscience studies relating to mineral resource development such as diamonds, gold, titanium, platinum, vanadium, iron, lead, zinc, nickel and uranium.

The EUB witnessed a significant restructuring of four divisions into nine branches and the appointment of a new senior management team in the second quarter of 1999-2000. These changes set the stage for tackling major regulatory challenges such as improving landowner-industry relations, early planning to ensure more timely decisions and a longer range strategy to renew the EUB's technical and technological assets.

Analysis of Key Activities

Adjudication and Regulation

One of the EUB's primary roles is to adjudicate and regulate energy developments and utility rates in the public interest. This means giving people who may be directly and adversely affected by proposed developments and rate changes an opportunity to be heard.

In 1999-2000 the EUB held 41 public hearings and nine pre-hearings. Of the 41 hearings, 32 were for energy issues and nine for utility matters. An analysis of the year's hearings shows that:

- energy hearings were mainly about well licenses, pipeline permits, large oil sands mining projects, and the construction and modification of oil and gas facilities.
- of the nine utility hearings, seven considered industry matters such as rates, new or changed facilities and tariffs. Two were complaint related. Consumer groups normally represent the public at rate hearings.
- public issues raised at hearings included the location of proposed facilities, air, soil, and water quality, noise, traffic, safety, land-use issues, urban encroachment, public consultation, cumulative effects and regional development, and human and animal health concerns.

Major Hearings and Decisions for 1999-2000

April 13, 1999 – hearing to examine Startech Energy Inc.'s application to drill a noncritical sour gas well 13 kilometres southwest of Priddis in the Turner Valley Field. The EUB approved the application after Startech submitted a modified Emergency Response Plan and Emergency Planning Zone, and with several conditions, including improved public consultation about its operations. The EUB also required the company to submit a conceptual Area Development Plan to be produced in conjunction with other operators in the area.

April 28, 1999 – hearing into a request by Gulf Canada Resources Limited that the EUB order the shut-in of associated gas on Gulf's Surmont oil sands leases. The company said pressure depletion of the gas pools associated with the oil sands zones would adversely affect the production of bitumen to the extent that it might not be recoverable. On April 3, 2000, the EUB ruled that continued production of associated gas presents a significant risk to future bitumen recovery from Gulf's Surmont leases and ordered 146 gas wells in the area shut in.

July 6, 1999 – hearing into an application by Stampede Oils Inc. to drill a Level 1 sour gas well three kilometres north of Millarville in the Turner Valley Field. The application was denied after Stampede failed to adequately address safety concerns specific to the area, and due to the company's inadequate public consultation efforts.

July 27, 1999 – hearing to expand Syncrude Canada Ltd.'s Mildred Lake upgrading complex, increasing production of marketable hydrocarbons through

the addition of a new fluid coker, a flue gas desulphurization unit, new froth treatment facilities, additional hydrotreating and sulphur recovery capabilities, and associated ancillary units. Syncrude also sought approval to increase annual production volume to 27.5 million cubic metres from 15.3 million cubic metres and removal of the annual production volume and term limits for the upgrading complex. On October 14, 1999, after reviewing the technology and hearing interveners' concerns with potential air quality and groundwater impacts, the EUB approved the application, subject to certain conditions.

October 4, 1999 – hearing to examine replacing Nova Gas Transmission Ltd.'s "postage stamp" rate design, that had been in place since 1980. Under the postage stamp rate, all customers transporting natural gas to Alberta border delivery points paid the same rate regardless of the distance travelled within Alberta. On February 4, 2000, the EUB approved the new "Receipt Point Specific Rates" design, as it better reflected the cost associated with distance and pipeline diameter.

October 12, 1999 – released the findings of the March 1999 public inquiry into Shell Canada Limited's operating practices on its Carbondale pipeline system located in southwestern Alberta. The inquiry was launched after the sour gas line failed twice in its first 18 months of operation. As a result of the inquiry, the EUB reduced Shell's allowable corrosion levels on the system and ordered Shell to decommission the system's 6-inch lines and reconfigure the system to reduce impacts on area residents.

October 12, 1999 – review of the Power Purchase Arrangements (PPAs) set forth by the Independent Assessment Team (IAT) appointed by the government. PPAs are long-term arrangements that will start in 2001 and will be in effect for a maximum of 20 years. They establish the terms, conditions, operating and commercial arrangements between the owners of Alberta's regulated electric generating units and the purchasers of the PPAs. The EUB received applications from a number of electric industry stakeholders requesting variances to the PPAs. The majority of the panel concluded that each party requesting variances failed to show that the IAT did not carry out its duties in accordance with the Act and the regulations, or that the PPAs or other determinations of the IAT are obviously unreasonable, are not supported adequately by economic analysis or are not in the public interest. On December 30, 1999, the EUB concluded no variances to the PPAs were necessary.

November 2, 1999 – hearing to examine PanCanadian Resources' application to construct a Steam Assisted Gravity Drainage (SAGD) project in the Athabasca Oil Sands Deposit, approximately 170 km south of Fort McMurray. After reviewing interveners' concerns regarding environmental issues and public consultation, the EUB approved the project on February 10, 2000. The EUB determined that the proposed project represented an orderly and efficient use of Alberta's energy resources, and that the proposed SAGD method of bitumen extraction optimizes oil sands recovery while minimizing environmental impacts.

November 29, 1999 – hearing for Goodwell Petroleum Corporation Ltd.'s application to have the EUB shut in 16 horizontal bitumen wells operated by AEC East. Goodwell maintained that the wells, located about 130 kilometres southwest of Fort McMurray, were producing Goodwell's gas and depressuring underlying bitumen reserves. On April 1, 2000, the EUB ordered four of the 16 wells shut in, in accordance with its equity and conservation mandates.

January 11, 2000 – two hearings were conducted jointly, due to the similarity of the applications and common interveners. The EUB examined six applications by Shell Canada Ltd. and two applications by Canadian 88 Energy Corporation, for sour gas development in the Castle River area, approximately 18 km west of Pincher Creek. The applications involved licensing of five horizontal sour gas wells and three sour gas pipelines and related facilities. On March 8, 2000, the EUB approved all the applications, subject to Shell and Canadian 88 Energy Corporation meeting all regulatory requirements and all commitments made to area residents. The EUB also noted that both the public and the industry participants took a common view that it was possible or even likely that the biological thresholds for at least some key species may now have been exceeded in the region with this approval.

February 9, 2000 – hearing to examine a complaint from Apollo Gas Inc., regarding the decision by Northwestern Utilities Limited and ATCO Gas and Pipelines Ltd. to stop providing billing and collection services for Apollo customers effective February 1, 2000. Following deregulation of the gas industry in 1995, companies like Apollo are allowed to market natural gas sales to consumers directly, and ATCO was required to ensure marketers had the ability to deliver the contracted gas to their customers. On February 28, 2000, the EUB issued a Board Order that directed ATCO continue providing consolidated billing and collection services to Apollo until ATCO provided specific customer information to Apollo and other marketers that would allow them to bill and collect for their own customers.

February 23, 2000 – a hearing scheduled for this date was avoided when the applicant, Berkley Petroleum Corp., successfully addressed the concerns of interveners in the Priddis area, who subsequently withdrew their objections to the company's application for a Level 1 sour gas well in the Turner Valley Field.

March 1, 2000 – (after earlier successful appeals) – the most recent hearing in Cardinal River Coals Ltd.'s application to expand its Cheviot coal mining operation, conducted jointly by the EUB and the Canadian Environmental Assessment Agency. Cardinal has applied to expand its operation, which is nearing the end of its currently approved production life.

Application Highlights

Wells

- 13,471 approvals for new, re-entry, resumptions (increase of 65 per cent from 1998-99)
- 73 critical sour gas wells (includes re-entries)

Production Facilities

- 769 applications for new oil and gas batteries, satellites, compressor stations, tank farms, pump stations
- 194 modifications to the above facilities
- 30 new gas plants
- 58 modifications to existing gas plants
- 175 water and 10 waste disposal schemes
- 14 waste management facilities
- no new sulphur recovery gas processing plants; 10 modifications to sulphur recovery gas processing plants

Pipelines

- 7,847 pipeline permits and amendments to existing pipeline licenses (5 per cent increase from 1998-99)

Oil and Gas

- 393 rate control
- 401 enhanced recovery
- 461 spacing
- 264 commingling
- 127 gas removal
- 170 equity
- 197 gas bitumen
- 29 acid gas
- 385 other applications
- 463 applications for new oil-well maximum rate limitations (MRL)
- 50 requests for pool delineation

Oil Sands

- 5 registered applications for new or amended expansions of existing mining or plant projects
- 25 non-registered applications related to mining or plant operations
- 147 reservoir development applications

Corporate Transactions

- 15,634 well license transfers
- 13,559 well name changes
- 3,386 pipeline transfers

Environmental Review

- 232 sour gas flare permits
- 416 emergency response plans
- 1,741 subdivision and development referrals

Coal

- 38 registered applications for new or modified coal projects
- 38 non-registered applications related to mining operations

Industrial Development Permits (petrochemical and refineries)

- 4 applications to amend existing permits

Hydro and Electric

- 69 applications for transmission lines and substations, power plants, industrial system designations, electrification association and service area change

Utilities

- 26 gas utility rate applications
- 21 electric utility applications
- 43 special franchise agreements
- 31 other types of applications (regulatory exemptions applications, rate riders, sale of assets, milk price orders)

Surveillance and Enforcement Activity Highlights

For 1999-2000, the EUB:

- had 97 EUB field surveillance staff working out of seven field centres
- responded to all public complaints; in 1999/2000 this comprised 859 complaints involving 1,032 issues, about one per cent more than in 1998-99
- inspected 981 drilling and servicing operations; 255 drilling waste and waste management facilities; 1,202 pipelines under construction; pipeline failure sites and pipeline operation inspections; and 4,904 gas and oil facilities. This represents a total of 7,342 inspections and re-inspections.
- handled 1,318 accidental spills and releases
- monitored Alberta's growing infrastructure of 276,531 kilometres of pipelines, 91,816 operating wells, 31,001 inactive wells, and 659 gas plants
- held information on approximately 950 active oil and gas companies in the EUB database
- performed 1,023 audits to ensure facilities application accuracy
- established information checks, audits of records and reports and corporate transactions as tools of the EUB's monitoring programs
- monitored 14 active coal mines and three oil sands mines and plants, and maintained a database on more than 1,800 abandoned coal mines
- handled 653 telephone and 70 written public complaints on utility matters.

Information Highlights

Information Services

- EUB Information Services (Calgary) served 65,000 customers and handled $1.7 million in information sales
- EUB Information Services had an inventory of 180 guides, statistical reports, decisions and maps, and energy data related to some 41 subject areas including; landowner packages, coal mine plans, well test information, industry applications and Board orders. The information retrieval for customers has been enhanced by newly designed programs for electronic data dissemination. These include well test capture, mineable oil sands data and petroleum/natural gas (mineral leases) information.
- EUB libraries received 4,650 requests for information and circulated 9,834 items
- the information sales office of the Alberta Geological Survey (Edmonton) sold 1,710 reports and maps, (generating $40,727 of sales revenue)
- access to World Wide Web sites of the EUB/AGS increased to 210,000 user sessions (25 per cent increase from 1998-99)
- EUB's automated/broadcast fax systems served 895 customers (a two per cent decrease from prior year totals)

Resource Appraisal

The EUB:

- released *Alberta's Reserves 1999: Crude Oil, Oil Sands, Gas, Natural Gas Liquids and Sulphur*. The EUB held reserves data for 26,200 gas pools, 9,100 oil pools and 15 oil sands deposits. The report showed remaining reserves of 1,207 trillion cubic metres (43 trillion cubic feet) of natural gas, 302 million cubic metres (1,898 billion barrels) of conventional oil, and 27.85 billion cubic metres (175.2 billion barrels) of crude bitumen.
- evaluated more than 6,934 wells with 11,937 zones; data was used to support the application review process and update provincial reserves of in-place volume of natural gas, conventional oil and crude bitumen.
- released the *Reserves of Coal, Province of Alberta* report in December 1999 (Statistical Series 2000-31). The EUB estimates that the 244 coal deposits listed in the report contain 34 billion tonnes of remaining recoverable coal.
- housed a collection over 12.8 million samples of drill cuttings, 1,350 kilometres of core samples, 225,000 trays of drill cuttings and more than 199,000 tour reports in the Core Research Centre in northwest Calgary. The Centre received 13,391 new boxes of core and 358,375 drill cuttings samples to add to inventory in 1999-2000. A monthly average of 300 companies, consultants, institutions and foreign delegations used the Core Centre facility. In response to customer requests, the Centre retrieved and delivered 253,584 core boxes and 13,978 sample trays in 1999-2000.

Operational Overview

Northern Alberta Development Council

Core Businesses

The Act

The mandate of the Northern Alberta Development Council (NADC) is to "investigate, monitor, evaluate, plan and promote practical measures to foster and advance general development in northern Alberta."

The Council consists of seven public members and one elected member of the Legislative Assembly.

The NADC Region

Northern Alberta has a diverse resource base and is a key contributor to the economy with 100 per cent of all oil sands production and 90 per cent of its forests. It has almost 40 per cent of Alberta's current conventional oil and gas development activity and about 20 per cent of the province's agricultural land.

Yet, only about 250,000 people, or less than 10 per cent of Alberta's population, live there. Billions of dollars have been invested in northern Alberta, but geography and a lack of education and training often prevent the people who live there from benefiting from these opportunities.

Council Members

Council membership reflects the geographic, cultural and vocational diversity of northern communities. In 1999 - 2000 Council was chaired by Athabasca-Wabasca MLA Mike Cardinal. Private Council members were:

- Art Avery, Fort McMurray
- Alvin Billings, High Prairie
- Don Erno, Sexsmith
- Ernie Isley, Cold Lake
- Gerald McIvor, Whitecourt
- Floyd Thompson, Lac La Biche
- Al Toews, Fort Vermilion

Northern Development's Business Plan

The NADC's mission is to advance northern development through regional initiatives in partnership with the private sector and community-based organizations. Northern Alberta has tremendous potential for growth. The NADC supports government's commitment to prosperity by facilitating the development of a thriving and progressive northern economy. In 1999 – 2000, NADC focused on three goals:

- to receive input into priority northern development opportunities and issues;
- to promote opportunities and address barriers to the North's development; and
- to increase northern skill levels.

Results
Analysis

Ministry of Resource Development

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Resource Development's performance measures included in the 1999-2000 Annual Report of the Ministry of Resource Development as presented on pages 37 to 69.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations that converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit, and therefore I express no opinion on the set of performance measures included in the 1999-2000 Annual Report of the Ministry of Resource Development.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

September 6, 2000

Results
Analysis

Department of Resource Development

Results Analysis

Discussion of Goals, Performance and Results

The Department's core businesses are resource stewardship, revenue management and industry development. The key responsibilities of these businesses are:

- to establish Albertans' share from mineral resource development;
- to assess, levy and collect revenue;
- to foster development, investment, trade and research in Alberta's energy, mineral and forest resources;
- to promote effective and efficient markets that supply reliable resources and energy to Albertans; and
- to manage the disposition of mineral rights.

Over time, the Department's success in carrying out its responsibilities affects employment, production, exports, investments and costs of doing business for the oil, gas, coal and forest industries. Its policies, programs and regulations are designed to contribute to an investment climate that leads both to sustainable employment and economic growth.

Total natural resource revenues rose significantly during the 1999-2000 fiscal year compared to 1998-99. The following table lists the Department of Resource Development's revenues and operating expenses for the year, and forest resource revenue collected by the Department of Environment.

($ millions)	Actual 1999-00	Actual 1998-99	Actual 1997-98	Actual 1996-97	Actual 1995-96
Revenue					
Freehold mineral rights tax	134	112	131	117	101
Crude oil royalty	1,103	450	903	1,386	1,053
Natural gas and by-products royalty	2,441	1,467	1,660	1,299	1,003
Synthetic crude oil and bitumen royalty	426	59	192	512	312
Coal royalty	15	17	18	18	22
Bonuses and sales of Crown leases	743	464	1,071	927	576
Rentals and fees	141	142	148	131	116
Other Revenue	12	3	2	6	1
Total Revenue	5,015	2,714	4,125	4,396	3,184
Operating Expenses	80	81	70	71	73
Net Department of Resource Development Revenue*	4,935	2,633	4,055	4,325	3,111
Timber Royalties and Fees**	108	86	97	98	63
Softwood Timber Export Tax Rebate**	27	8	12	N/A	N/A

**Source: Department of Resource Development ** Source: Department of Environment*

Over the past year, the DRD collected 25 per cent of total provincial revenue, while operating expenses were less than two per cent of total departmental revenue collected.

Goal 1

To secure Albertans' share from the development of their resources on a timely basis.

Highlight: ***A new tenure regulation for oil sands was announced following consultation and cooperative work between industry and government.***

A new tenure regulation for oil sands was announced on March 8, 2000, after two years of consultation and cooperative work by an industry/government committee. The new regulation will help bring stability to oil sands development over the next 15 years by standardizing lease terms and encouraging industry to bring non-producing leases to production. A number of new oil sands projects totaling nearly $25 billion in investment were approved during the 1999-2000 fiscal year. A significant development was the approval of Shell's multi-billion dollar Muskeg River Mine Project.

Changes to the Natural Gas and Natural Gas Liquids (NGLs) royalty framework were announced to address on-going market evolution. To ensure the policy framework ensures fair value to Albertans from the development of their

resources, the Minister of Resource Development established "The Ethane and NGL Task Force," which consulted stakeholders over the past year. As a result of this consultation, changes to the natural gas and natural gas liquids (NGL) royalty framework were announced. These changes will affect the manner in which the Crown calculates the royalty share and value of natural gas and NGLs. The royalty regime will be modified to: identify ethane as a distinct resource, recognize ethane and other NGLs in residue gas and calculate royalty and allowable costs on NGLs extracted at straddle plants. The changes are expected to maintain the overall amount of royalty collected (given comparable prices and production levels) but will affect where royalties are collected in the NGL value chain.

The Petroleum and Natural Gas Tenure Regulation was also amended during the year to allow for diagonal offset notices, which notify all landholders surrounding a parcel of land that drilling activity is to take place. This will ensure the Crown receives its fair share of offset compensation.

Alberta's conventional oil royalty is taken in-kind and is presently marketed on behalf of the province by private-sector agents. These agents are in the fourth year of a five-year agreement with the Crown. During the year, an external review was completed on the agreement and the effectiveness of the Crown agents that showed a significant positive benefit from the current arrangement.

In July 1999, the Department issued an Information Bulletin related to the Otherwise Flared Solution Gas Royalty Waiver Program. This program waives royalties on solution gas that is conserved and used instead of being flared. In response to industry concerns, the program's application criteria were made more flexible with the number of pre-qualified wells significantly increased. Resource Development is also working with other ministries on a Flaring Health Study of the impact of human and animal exposure to flare gas emissions. Alberta will partner with the other western provinces in this initiative.

Performance Measures

Sharing the profits from resource development. Target range is 20 per cent to 30 per cent.

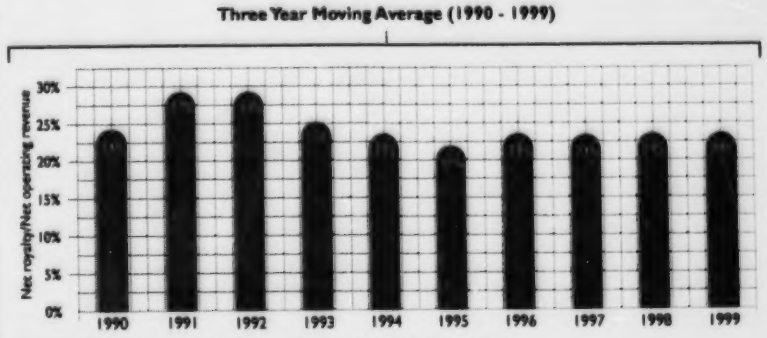
Alberta's royalty system is intended to balance two key objectives:

1) to capture a fair share of revenue from the development of resources for the benefit of Albertans; and

2) to encourage continued investment in and development of resources by leaving sufficient revenue with producers to cover costs and a fair profit.

For the core resources of oil and natural gas, an indicator of this balance is the portion of annual industry net operating revenue paid as royalty, based on historical records and the related industry activity and Crown revenue. Net operating revenue in this calculation is net of income taxes and excludes interest charges.

Results: The three-year moving average (a comparison of net royalty to industry's net revenue) of 23 per cent was realized in 1998 and is estimated to be 23 per cent for 1999.



(Source: ARC Financial Corporation (Energy Update Publication)

Revenue Assurance

Target: ***During 2000-2001 the Department of Resource Development is continuing its work to develop a set of indicators for Assurance. In the interim the target is to develop those indicators and establish targets.***

Assessing and collecting all revenue owed to the Crown from development of Alberta's resources is one of the Department's primary responsibilities. To provide assurance that revenue is complete, accurate and fairly valued, several key indicators are monitored through revenue reporting and historical audits. Following improvements to Resource Development's audit scope and revenue reporting for 2000-01, integrated measures will be established to monitor revenue. In the interim, the Department assesses the following early indicators, some of which may be replaced in future business plans.

Late Filing: Penalties are assessed when a required filing is received after the due date. Decreasing penalties are an indicator of improved compliance.

> **Results:** During 1998-1999, an average of 4.2 per cent of documents were subject to late filing penalties. During 1999-2000, this average increased to 10.6 per cent. The penalty structure was changed in 1999 to charge penalties on all overdue and late documents as opposed to the former method of charging the penalty once the overdue document was received.

(Source: Department of Resource Development)

Provisional Assessment: To encourage accurate and timely volumetric reporting, provisional assessments are levied if filings are late or inaccurate. Such assessment levels are an indication of the extent of gas royalty not reported accurately the first time. Decreasing assessments are an indicator of improved compliance.

> **Results:** The percentage of natural gas royalty which is provisionally assessed decreased considerably from 23.1 per cent in 1997-1998, to 16.4 per cent in 1998-1999, to 11 per cent in 1999-2000.

(Source: Department of Resource Development)

Crude Oil Marketing: The Crown's royalty on conventional crude oil is taken-in-kind (as product) and since June 1996 has been sold through private sector marketing agents. A comparison of the posted prices that refineries pay for crude oil to the equivalent price received by the Crown provides an indication of whether the Crown is receiving fair market value for its product.

Results: The average price realized on behalf of the Crown exceeded all established benchmarks.

- Light sweet crude oil was $\$.69/m^3$ above sweet crude oil postings at Edmonton.
- Light sour crude oil was $\$.84/m^3$ above sour crude oil postings at Hardisty and Edmonton.
- Heavy crude oil was $\$.90/m^3$ above heavy crude oil postings at Hardisty.

(Source: Department of Resource Development)

Goal 2

To achieve a competitive electricity market for the benefit of Albertans.

Highlight: ***Through extensive consultation, Power Purchase Arrangements (PPAs) have been created to provide for long-term sale of electric power from previously regulated facilities.***

During the 1999-2000 fiscal year, all key milestones for deregulation of the electricity industry were met.

Through a process that included extensive consultation with industry and consumers, PPAs were developed to enable deregulation of the regulated facilities in Alberta. An independent team of experts, led by PricewaterhouseCoopers, was hired to provide an impartial design of the PPAs. The PPAs developed by this independent panel were endorsed by the Alberta Energy and Utilities Board (EUB) with no changes.

Subsequent to the development of the PPAs, Charles River Associates (a firm internationally recognized for auction design), was hired to design the PPA auction.

To ensure that Albertans continue to reap the benefits of well-managed and maintained electric generating facilities after the PPA auction, the PPAs will include an incentive to generator-owners to continue to expand and/or improve their facilities over the life of the PPAs.

A key objective of electricity restructuring is to provide a competitive and efficient marketplace for new power producers. To ensure competition, barriers to new market participants must be removed. Eliminating these barriers has been achieved through various methods. One accomplishment is the development of new opportunities for independent power producers (IPPs) created by the Direct Sales Regulation. The Direct Sales Regulation allows IPPs and buyers to enter into contracts for both price and physical supply of energy, allowing IPPs to raise capital for future expansion and growth.

Another key achievement was development of the Flare Gas Regulation, which encourages the economic use of solution gas for electric power generation, when that solution gas would have otherwise been flared. This reduces barriers for IPPs and creates new opportunities for flare gas producers.

After extensive stakeholder consultation, the Department issued transmission planning guidelines to clearly outline the roles and responsibilities of the transmission participants and enable a competitive process for the market to signal the need for new transmission facilities.

Some key milestones for the future are:

- **2000: PPA auction (August 2000)**

– Utilities finalize distribution tariffs that will be charged to retailers using distribution wires.

- **2001: Long-term PPAs begin (2001 to 2020)**

– Customer choice introduced for all consumers.

– Full competition for retail services begins.

– Five year regulated-rate option introduced for home and farm customers, three years for eligible small commercial and industrial customers.

Performance Measure

Number of Power Pool Participants

Target: *Increase Power Pool participation by 40 per cent by the year 2001.*

The Power Pool operates Alberta's electricity market. All electric energy bought and sold in Alberta, along with energy imported and exported through the province, is exchanged through the Power Pool of Alberta. The Power Pool performs two key functions: operation of the energy market and real-time coordination of the provincial power grid.

Result: There were 39 members in the Power Pool on April 1, 1998, the base year and 45 in 1999. As of March 31, 2000 there were 51 Power Pool participants, a 31 per cent increase. Power Pool participation is expected to continue growing as market barriers continue to come down and as competition increases.

The growth in Power Pool participation is an indicator of the success of implementing competition in Alberta's electricity market.

(Source: Power Pool of Alberta-www.powerpool.ab.ca)

Goal 3

To sustain growth opportunities in the energy and mineral resource sectors through the development of responses to environmental concerns, particularly climate change.

Responsibilities for this were transferred to Alberta Environment (AE). Any areas/branches transferred during the year would be reported in the Annual Report of their new Ministry.

Goal 4

To ensure Alberta's energy and mineral industries have competitive access to markets.

Highlight: *Gas pipeline capacity has increased, and crude oil apportionment is no longer an issue.*

Resource Development represented Alberta's interests at regulatory proceedings through the Assistant Deputy Ministers' International Marketing Committee. Alberta actively participated in several significant initiatives that will set the stage for future international activity by governments including: a framework for international strategies, an international marketing strategy, and a foreign office review. These strategies were approved and will be implemented through government-wide business plans in the coming year. These initiatives will enable Alberta to continue to enhance its national and international profile.

The Department also continued industry consultation regarding carbon dioxide injection technology and royalty implications. This evolved to include developing and building consensus around a strategy for gathering and sequestering industrial emissions of carbon dioxide. Alberta also participated with the province of Saskatchewan in joint funding and information sharing from development projects such as Alberta Research Council's (ARC) Coal Bed Methane project, Saskatchewan Energy and Mines' pilot facility for extracting CO_2 gas from flu gas, and Alberta Government Services' study on potential sites for storing carbon dioxide.

Performance Measures

Natural Gas Pipeline Capacity

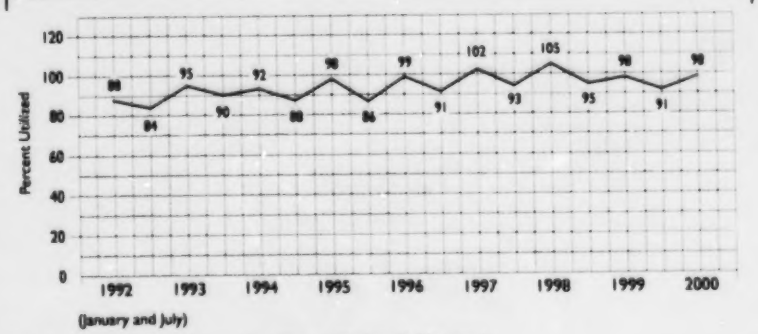
Target: *To increase natural gas pipeline capacity.*

DRD monitors pipeline activities and situations when demand for throughput exceeds available capacity to evaluate market access. In recent years, "takeaway" pipeline capacity has been insufficient to meet demand, reducing the market value of Albertans' natural gas resources. Recent additions to pipeline capacity have addressed this problem.

Results: Pipeline capacity increased annually from 10.38 bcf per day in 1995 to 10.69 bcf in 1997, and in 1999 was 11.63 bcf per day, with the recent TransCanada Pipelines and Foothills/Northern Border expansions. The percentage of available capacity used on an annual average basis increased from 93 per cent in 1995 to 97 per cent in 1997, and 98 per cent in 1998, with a subsequent decline to 93 per cent in 1999 (due to increased pipeline capacity coming on stream). The Alliance Pipeline will increase capacity to 13.3 bcf per day.

(Source: Energy and Utilities Board/NOVA)

Gas Pipeline Utilization



(Source: ARC Financial Corporation (Energy Update Publication)

Crude Oil – Average Apportionment

Target: ***To increase pipeline expansion and minimize apportionment.***

In the past, Resource Development was asked by industry to operate the West Coast Initiative. This initiative moved crude oil to the west coast at a time when restricted pipeline capacity resulted in apportionment on pipelines to prime markets in the US Midwest. Apportionment is the rationing or allocation of pipeline space when marketable volumes exceed available pipeline space. The completion of Enbridge's SEP II pipeline expansion helped resolve this problem, with pipeline apportionment rapidly declining during 1998 and dropping to zero in 1999.

Results: During 1999, average light crude oil apportionment averaged zero per cent, while heavy crude oil apportionment averaged two per cent (versus 1998 levels of 10 per cent and four per cent for light and heavy crude oil respectively). Light crude oil was apportioned only once (June), while heavy crude apportionment was necessary in only three months (June, July and August). The absence of apportionment in the first half of 1999 reflected lower crude oil production resulting from low prices, while the start-up of Enbridge's Terrace Expansion in the second half of 1999 provided additional pipeline capacity as production and prices improved. The marginal apportionment in mid-1999 reflected temporary system disruptions due to unexpected outages as well as tying-in of the Terrace Expansion. Apportionment is not expected to re-emerge as an issue, given additional pipeline capacity.

(Source: Canadian Association of Petroleum Producers (CAPP)-Crude Oil Report)

DRD will continue to monitor apportionment, but will not report on this performance measure in future business plans.

Secondary Processing

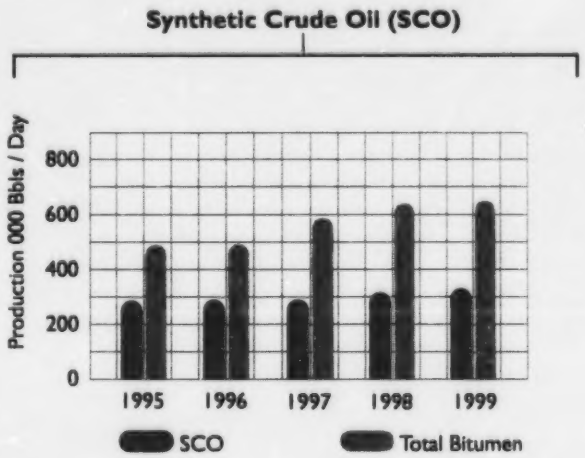
Target: *To encourage steady growth by industry.*

The volume of primary resources that undergo secondary processing in Alberta is an indication of the growth in Alberta's processing capacity. Plant expansions and new projects are expected to increase synthetic crude oil (SCO)production and ethane demand.

Synthetic Crude Oil (SCO)

Bitumen upgrading measures the volumes of bitumen consumed in Alberta's synthetic crude oil manufacturing.

Results: The amount of bitumen upgraded to synthetic crude oil increased to 319.96 Mb/d in 1999, up from 305.18 Mb/d in 1998. In 1999, oil sands production accounted for 38 per cent of total crude oil production in Alberta. SCO production is expected to increase substantially with Suncor and Syncrude expansions, which are expected to double current production levels by 2007. In addition, Shell's Muskeg River Mine project will contribute to higher production when it begins operations late in 2001.



(Source: Energy and Utilities Board)

Ethane

Ethane upgrading measures the volumes of ethane consumed in Alberta petrochemical manufacturing. The demand for ethane continues to rise year after year. The 1998 demand was down because both the Dow and NOVA ethane plants were closed for six to eight weeks (one for maintenance and the other to accommodate expansion). Demand once again increased in 1999 to 155.1 mb/d. The bulk of the increase was due to a full year of operations at the expanded Dow facilities. Nova is expected to commence operations at its expanded facilities in late 2000.

Ethane Upgrading in Alberta (000 Bbls/Day)

	1995	1996	1997	1998	1999
Alberta ethane demand	131.2	138.3	140.5	134.2	155.1

(Source: Department of Resource Development - Morenco Energy Associates Report)

Goal 5

To strengthen the competitiveness of the energy and minerals sectors.

Highlight: ***Progress continues to be made on the VIPIR project with increasing support and commitment of resources from industry to complement Ministry commitment.***

The Volumetric and Infrastructure Petroleum Information Registry (VIPIR) project, which includes the development of an electronic shared information registry and re-engineered business processes, continued to make steady progress in 1999-2000. VIPIR is a collaborative undertaking between the upstream oil and gas industry in Alberta and the Ministry of Resource Development, represented by both the department and the EUB. The senior management of VIPIR includes representatives from DRD, EUB and industry. Targeted for initial implementation in 2002, the registry will facilitate the exchange of data between upstream oil and gas industry partners and between industry and the Ministry of Resource Development.

The registry will streamline the management (collection, use, storage and dissemination) of oil, gas and water volumetric and related infrastructure data to meet Ministry and industry requirements for these data types. It will also provide industry and the Ministry with a single, authoritative source of secure, valid, standardized, shareable and timely petroleum-related information. This will result in significant dollar benefits for industry and the Ministry, further electronic commerce in Alberta, and advance current and future re-engineering of business processes and procedures.

The VIPIR's conceptual design phase and detailed business case were completed and approved by industry and the Ministry in the 1999-2000 fiscal year. Conceptual design focused on information management and the development of the registry as a tool which facilitates the streamlining and re-engineering of industry and Ministry reporting and business processes. A joint industry/government project team was assembled and a new project director assumed leadership of the project. Business area analysis was 85 per cent complete by March 31, 2000 and a consultation process allowed for stakeholder review of business concepts. A monthly newsletter and industry presentations helped to raise awareness of the project among stakeholders.

Although initial industry/Crown consultation began in 1999, the Royalty and Related Information Review (RRIR) Natural Gas Royalty Regime changes have been rescheduled to accommodate higher emerging business priorities. These priorities include: Ethane/NGLs initiative, NOVA Tolls, and the Otherwise Flared Solution Gas Initiative. In the upcoming year, work will continue on these initiatives.

The department signed a Memorandum of Understanding (MOU) with the Northwest Territories government in 1998. Evolving from this was the establishment of a sub-agreement on Northern Oil and Gas Development in July 1999 that called for the two governments to co-ordinate their efforts on petroleum resource development. The DRD co-chairs the Operating Committee that has been established to implement the agreement.

At last year's Council of Energy Ministers, a federal-provincial task force (co-chaired by Resource Development) was established to address jurisdictional uncertainty over pipeline regulation and upstream encroachment of federal pipeline regulation into provincial resource management. Recommendations were made to the Ministers in March 2000. The Ministers accepted the recommendations and directed that further work be undertaken, with an additional report due to the Ministers in September 2000. During the 1999-2000 fiscal year, Resource Development also worked with other ministries to develop a climate change technology strategy.

The Department worked closely with local governments in a number of areas. Recommendations of a multi-stakeholder task team related to the issue of broader road use for seismic activity was implemented over the winter drilling season on a pilot project basis. Results have been positive, with participating municipalities indicating improved communication with seismic companies. Resource Development worked with the Alberta Urban Municipalities Association (AUMA) to develop increased understanding and support for restructuring of the electrical industry and is working closely with Alberta Government Services to ensure municipally-owned utilities do not have advantages in the marketplace due to their tax status.

Work continued during the year to automate mineral rights dispositions. This multi-year project, when completed, will see the fully automated disposition of metallic and industrial mineral rights, oil sands rights and petroleum and natural gas rights. The new system will enable the Crown to effectively handle increased volumes of oil sands and metallic mineral applications. The project will yield efficiency gains for government and industry through reduced turn-around times and will bring automation to existing manual processes.

Resource Development has raised the profile of Special Places during the year with industry and other departments. The Department continued to provide technical and analytical support to the Special Places program and provided departmental input to the MLA committee review of issues arising from Special Places. Work also continued with Alberta Environment to identify and resolve management conflicts resulting from the reclassification and further designation of protected areas. While doing this, Resource Development has ensured proper access rights exist to ensure Albertans receive a fair share for their resources.

The Department contributed to the development of a process and framework that will guide the Northern East Slopes (NES) Sustainable Resource and Environmental Management Strategy. The NES strategy supports Alberta's Commitment to Sustainable Resource and Environmental Management Policy (1999), which provides direction for managing Alberta's natural resources and protecting the environment.

Resource Development has continued work on various aspects of Aboriginal land claims in preparation for the transfer of minerals to Canada to satisfy outstanding claims. It also worked on a government-wide Aboriginal Policy Framework and an interdepartmental team continues to work on developing a consultation process and an approach for dealing with traditional land use issues. Resource Development also worked with Alberta International and Intergovernmental Relations in piloting initiatives designed to help Aboriginal groups participate in training and identify resource industry business and employment opportunities.

In support of the government's objective of reviewing all acts and regulations, Resource Development completed 17 Order-In-Council Regulation reviews, and 10 out of a projected 13 Ministerial Regulation reviews during the 1999-2000 fiscal year.

Streamlining administrative and reporting requirements to achieve cost-effective administration is one of the Department's priorities. Over the past several years, Resource Development has become a leader in e-commerce, with a high number of clients exchanging financial and non-financial information electronically with the Department. For example, 99 per cent of the public offerings of petroleum and natural gas rights use electronic funds transfer and 95 per cent of oil sands royalty payments are handled electronically.

Use of the Department's Internet site increased significantly in 1999, with monthly hits averaging 100,000 (up by 25 per cent from the 1998 monthly average). In a survey of government departments, Resource Development ranked in the top six, receiving an overall rating of eight out of 10. In the Department's client satisfaction survey (conducted by Environics in the fall of 1999), over 80 per cent of respondents indicated they were able to easily find the information they were looking for.

Performance Measure

Cost of Compliance

Target: ***To maintain an effective system that does not place costly administrative requirements on industry.***

An indicator of the competitiveness of Alberta's energy sector is industry's costs to comply with the administrative and regulatory requirements associated with non-renewable resource exploration and development.

Results: During the year the Department and industry worked together to complete the first phase of work to develop a method for measuring the costs of administration. The first phase has examined a method to measure the average total cost of Crown oil reporting for both industry and the Department. Based on the results of this work, the estimated average monthly costs for industry and the Department are:

1999 Average Cost of Crown Oil Royalty Administration (excluding Oil Sands)

	To Industry	To DRD
Monthly Average Cost Per Well - (Dollars)	$15.85	$1.03
Monthly Average Cost Per Barrel (total Crown Production)	$0.0227	$0.0015

(Source: Department of Resource Development)

- *The estimation of costs was compiled through survey results, applying the average time spent reporting to the base salaries reported by CAPPA, APEGGA and CAPL.*
- *Survey was based on a random sample (n=112). Twenty-three clients responded to the survey representing 4.9% of reporting clients and 43% of production.*
- *The production months of June to November 1999 were selected for this calculation.*
- *The cost of crown oil reporting performance measure includes labour costs for conventional oil reporting. It excludes reporting requirements to the Energy and Utilities Board, joint venture reporting, gas royalty reporting, pipeline systems reporting, enhanced oil reporting, oil sands reporting, and Alberta Royalty Tax Credit reporting.*

Goal 6

To ensure resource development is managed in an effective, affordable manner and provides an attractive work environment for employees.

Highlight: ***The second client satisfaction survey, conducted with seven client groups in late 1999, gave the Department an overall satisfaction rating of 79 per cent, up from 75 per cent in 1998. The 1999 result of 79 per cent is considered to be a moderate to high level of satisfaction.***

(Environics West conducted both surveys. They are reliable to within ± 4.5 per cent at a 95 per cent confidence interval for 1998; and, ± 4.1 per cent at a 95 per cent confidence interval for 1999.)

Through effective management, Resource Development has met its expenditure target and managed to assume additional responsibilities. The transfer of Forest Industry Development and Northern Development to the Department also transpired in a timely fashion this year.

The Department actively works with its partners within the Ministry of Resource Development to harmonize activities and streamline efforts. During the past year, the Department worked with the Alberta Energy and Utilities Board (EUB) to develop a standard for hardware and software database development. A Chief Information Officer was also appointed for the Ministry to provide a coordinated and integrated approach to Information Technology development. Resource Development is also working with the Alberta Corporate Services Centre to identify areas which could be more effectively managed by a shared services centre.

During the 1999-2000 fiscal year, the Department was recognized by a number of external groups for the contribution, innovation, commitment to excellence and

dedication of department employees. This included a silver Premier's Award of Excellence for a process which enabled electronic invoicing to industry; the "Innovation in Geographic Information Systems (GIS) Award" for an innovative technique developed to implement geographic information computer technology for mapping mineral leases from the Environmental Services Research Institute in California; and the American Association of Professional Landmen Award for professional excellence, presented for work done for the Alberta Petroleum and Natural Gas Regulations course designed and delivered by staff from the Department.

Performance Measures

Service Standards

Target: *To ensure service standards are met 95 per cent of the time.*

This measure is an internal operational level measure assessing activity rather than performance against our goal. Furthermore, the gathering and reporting of the information has proven problematic, and the cost exceeds the beneficial information provided. In recognition of these concerns, this measure has been dropped from the 2000-2003 Ministry Business Plan and will not be reported on for 1999 - 2000. Client satisfaction will continue to be our primary measure for this goal.

Client Satisfaction

***Target:** 80 per cent satisfaction by 2003*

The Department has adopted the Government of Alberta's service excellence framework, focussing on courteous, competent and timely service. Environics West completed Resource Development's first survey in 1998. The results showed an average satisfaction rating of 75 per cent, reliable to within ±4.5 percent at a 95 per cent confidence interval.

> **Results:** Environics West conducted another client satisfaction survey for the Department in late 1999. The overall satisfaction rating increased to 79 per cent, with three out of six branches surveyed exceeding an industry standard of 80 per cent satisfaction for high service.

(Source: Department of Resource Development)

Goal 7

To sustain growth opportunities in the forest sector through maximization of the harvesting, secondary processing and export of forest products.

Forest Industry Development was transferred to Alberta Resource Development from Alberta Economic Development during the 1999-2000 fiscal year. Since that time, Resource Development has assumed responsibilities from Alberta

Environment and Alberta Economic Development.

Resource Development completed the North-Central Timber Request for Proposals delivering the deciduous timber allocations. The Department is presently leading negotiations of forest management agreements and letters of agreement in Alberta. Resource Development participated on the Alberta Softwood Lumber Advisory Committee, and on the Forest Industry Development Strategy Committee.

A survey of key stakeholders conducted in late 1999 and early 2000 indicated the goals of the Forest Industry Development group have been accepted by industry and provided an opportunity for industry to provide feedback regarding forest industry development. The industry has indicated a desire for government to lead the development and endorsement of a long-term strategy for the forest industry in Alberta. Members of the forest sector supported the view that secondary and tertiary manufacturing can be significantly expanded in Alberta.

Recognizing that the Alberta forest industry operates in an increasingly global economy and complex business environment, Resource Development, along with industry stakeholders, began working on a Forest Industry Development Strategy that will be released in the coming year. The strategy will address goals, strategies and targets for the forest industry over the next decade.

During the year, the Department also released the "Alberta Forest Products Industry Overview and Economic Impact Report" which provides information on key economic indicators such as industry generated revenue, employment and value of export shipments.

Performance Measure

Forest Industry Development

Target: ***To increase the timber cut and close the gap between the harvest and the annual allowable cut cap, ensuring sustainable timber resource development.***

Results: The Forest Industry Development measure compares the actual annual timber harvested with the annual allowable cut (AAC), which is the amount of timber that can be harvested on a sustainable basis within a defined planning area. The AAC is set by the province.

**Does not include fire-killed and salvaged Crown timber. Approximately 7.2 million m^3 of fire-killed Crown timber were salvaged in 1999.*

Million m^3	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
AAC	25.6	25.6	24.5	24.5	24.5	22.1	22.1	23.0	23.4	23.8
Harvest*	08.8	11.6	11.9	13.7	13.1	15.1	16.6	17.7	19.1	15.1
Gap	16.8	14.0	12.6	10.8	11.4	07.0	05.5	05.3	04.3	8.7

(Source: Alberta Environment)

Results
Analysis

Alberta Energy and Utilities Board

Results Analysis

Discussion on Goals, Performance and Results
The Ministry of Resource Development Business Plan 1999-2000 to 2001-02 listed four core business goals for the EUB in the areas of adjudication and regulation, applications, surveillance and enforcement and information and knowledge. To achieve these goals, the plan set out several strategies and performance measures for each goal. This section highlights the EUB's progress in meeting these expectations.

Goal 8

Provide fair, objective and efficient adjudication and regulation that encourages industry to conduct responsible resource and facility development, and that results in reliable utility service at fair and reasonable rates.

Highlight: ***The Board conducted a number of hearings and proceedings to further implement deregulation of Alberta's electricity generation, transmission and distribution sectors.***

The EUB implemented the provisions designated in the EU Amendment Act. One example, Decision U99113, reviewed the Independent Assessment Team's report on Power Purchase Arrangements respecting regulated generating units. The decision advanced the deregulation process for electricity generation in Alberta, and helped fulfill legislated requirements leading to the auction of these units. This proceeding and others have helped segregate the generation, transmission and distribution sectors of the industry and set the stage for further restructuring of the electric industry.

The regulatory framework with respect to gas-over-bitumen conservation and gas-over-bitumen production requirements has also been advanced by the EUB. Interim Directive (ID) 99-1, with two additional amendments, directs operators in gas/bitumen areas to apply for and obtain Board approval before any gas (excluding solution gas) can be produced. The ID and amendments address application requirements, and specify application areas and bitumen thickness criteria.

In addition, the EUB completed an internal review of the Oil Sands Conservation Act, identifying regulations that needed to be repealed, changed or reviewed pending the outcome of other initiatives. Approximately 23 sections were identified for revision, 23 sections were identified for repeal and 14 sections were identified for further review. Industry has been contacted to arrange for a series of meetings allowing for industry input on the suggested revisions.

The EUB also initiated the Mineable Oil Sands Development Strategy to ensure orderly and efficient resource development and protection of the environment in the surface mineable oil sands area. The project is a joint EUB/industry initiative to identify issues arising from expected development – due to the extensive nature of the resource and rivers and lakes overlying or adjacent to the mineable resource – and, for two high priority issues, to develop action plans to deal with them. Priority issues are lease boundary mining and the viability of the Muskeg River Mine Project, under which communication with the Regional Sustainable Development Strategy and regional stakeholders is required.

Performance Measure:
Stakeholder Confidence Index

Stakeholder confidence is now measured through ongoing public and industry consultative initiatives (Public Advisory Committee, Oil and Gas Liaison Committee, and ongoing meetings with the Environmental Non-Government Organizations). As a result, the Stakeholder Confidence Index is no longer required to measure EUB effectiveness.

Goal 9
Ensure an active and efficient application process.

Highlight: ***The EUB continued its long-term commitment to simplifying its application process, including efforts to increase electronic access and streamline filing procedures.***

To shorten processing time for reservoir development applications, the EUB was preparing to issue Guide G-65, the first edition of a comprehensive application guide addressing requirements and explanations for 21 different resource applications. It is a first step in a larger plan to streamline the process and to maintain relevance. It will also provide feedback for future re-engineering reviews.

Work on the guide began in late 1999, and is scheduled for release in mid-2000. It is expected to greatly assist applicants in understanding EUB requirements and will promote submission of complete applications. The guide identifies situations where reduced requirements are appropriate, streamlining the process in these areas. It also provides the opportunity and information to support an applicant-initiated notification, prior to filing an application. Using this option, an applicant may be able to shorten turn-around time.

The EUB also met with industry representatives to discuss application, reporting, resource sterilization and enforcement issues associated with operating criteria. A series of meetings were also held with Board members to resolve issues associated with resource recovery economics.

A draft Informational Letter has been prepared incorporating the findings to date. Meetings have been scheduled with industry to discuss the letter and seek resolution on any outstanding issues. An Informational Letter is expected in late 2000.

On the matter of electronic filing, there was some progress in 1999-2000. The EUB plans to have electronic filing, status viewing, and approval issuance by 2004, beginning with a web-based corporate application registry with some status reporting in this fiscal year. This will be followed by a pilot document management and workflow system in 2002. In the meantime, the EUB will continue to test software and systems that can meet its requirements and the needs of industry.

To improve access to public documents, the new EUB publishing program ensures that all new guides are available electronically both on the web site and on CD as soon as they are released. Conversion of all previously published guides for electronic access is still in progress. The project is 80 per cent complete and targeted for completion by mid-2000.

Performance Measures

Rate of Deficient Applications

The closure of deficient applications for facilities is one measure of EUB staff efficiency and public and environmental safety. Closures occur on applications that are severely deficient and cannot be processed. Closed applications are returned to the applicant, who must correct the identified deficiencies before reapplying to proceed with the facility. In 1999-2000 the EUB Facilities Applications Group closed 218 (0.9 per cent) deficient applications, down from 316 (1.9 per cent) in 1998-99. The target is 4 per cent or less.

The total number of routine (21,788) and non-routine (2,176) applications for 1999-2000 was 23,964.

(Source: EUB Facilities Application Registry Database)

Application Turnaround Time

The average turnaround time for routine applications increased from 3.4 days in 1998-99 to 4.2 days in 1999-2000, due to the 44 per cent increase in applications. The current target is 2.5 calendar days (average) for routine well license applications. However, this target has subsequently been adjusted to 3-3.5 days as a reasonably attainable and sustainable goal that better reflects activity levels and filing requirements.

(Source: EUB Facilities Application Registry Database)

Goal 10

Maintain public safety, conservation of resources, protection of the environment and quality utility service through effective surveillance and enforcement programs.

Highlight: ***On January 1, 2000, the EUB implemented new requirements for upstream flaring that will lead to significant flaring reductions in the province.***

The new flare performance requirements found in the Flaring Guide, included as key targets a firm solution gas flare reduction schedule that called for:

- a 15 per cent reduction from 1996 baseline volumes by the end of 2000; and,
- a 25 per cent reduction from 1996 baseline volumes by the end of 2001.

In 1996, this "baseline" volume of solution gas flared from crude oil and crude bitumen batteries was 1,700 10^6 m^3 (1.7 billion cubic metres).

EUB calculations show the actual volume of solution gas flared in 1999 was 1,156 10^6 m^3 (1.15 billion cubic metres) which represents a 32 per cent reduction from 1996. Thus, the actual reduction realized by industry is well ahead of the firm targets established for the first two years of flaring reduction. This solution gas flared from crude oil and crude bitumen batteries represents 66 per cent of the gas flared in Alberta. This is a significant accomplishment for both industry and the EUB.

The total volume flared from all sources in 1999 was 1,740 10^6 m^3 (1.74 billion cubic metres), or just slightly more than the 1996 baseline for solution gas alone. This volume also shows a significant overall reduction of 160 million cubic metres from 1998 total flare volumes of 1,900 10^6 m^3. The EUB will remain diligent in its efforts to ensure that every opportunity to reduce flaring is examined and implemented where it is appropriate to do so.

The EUB also screens well and pipeline license transfer applications to ensure that abandonment liabilities are adequately addressed. Security deposits are collected when screening criteria are not met. The EUB collected $5.56 million dollars in security deposits in 1999-2000 while processing 15,634 well and 3,386 pipeline license transfers.

In 1999, the second year of a five-year program, the Long Term Inactive Well Program (LTIWP), which focuses on wells which have been suspended/inactive for more than ten years, reduced the original inventory of 10,000 wells by 1,200. In addition, $10.5 million in security deposits was collected against the abandonment liability for wells that continue to retain their inactive well status. At year end, there were approximately 34,650 wells that have been suspended/inactive for more than one year.

The EUB takes enforcement action as necessary by issuing various Orders to ensure compliance with EUB regulations and requirements. Fifty-three Closure Orders were issued in 1999 resulting in the closure of 218 wells and four pipeline systems for non-compliance, while 88 Abandonment Orders were issued for 105 wells, 48 pipelines and seven facilities.

Under utilities, the EUB developed a complaints database to allow for enhanced tracking of concerns respecting utilities rates and services. Gas utilities filed their first annual report on finances as required pursuant to Informational Letter 2000-2, which updated IL 99-3.

In 1999-2000, the EUB also implemented a generic enforcement ladder and a field surveillance enforcement ladder. These two ladders augment seven area-specific ladders already in place. The EUB is presently compiling statistics that will indicate the efficiency and effectiveness of all of these ladders.

Performance Measures

Improvement among Poorest Operators

The EUB tracks the number of minor compliance problems found in field inspections of oil production facilities. The eight operators with the poorest inspection records in 1998-99 showed a 77 per cent improvement in 1999-2000, surpassing the 60 per cent target by 17 per cent. The poorest operators are those with a minimum of seven inspections and a minor unsatisfactory rate at least 40 per cent higher than the provincial average of 34.7 per cent.

(Source: EUB Production Surveillance System)

Percentage of Solution Gas Conserved

The amount of solution gas conserved in 1999 was 94.1 per cent, down from 94.4 per cent in 1998, but well above the EUB goal of 90 per cent. The level of solution gas conserved indicates industry's commitment to devoting considerable capital to solution gas conservation projects. EUB field staff and the Calgary Operations Group continue to monitor batteries that flare significant volumes of solution gas. The information is gathered on a monthly basis by the EUB.

(Source: EUB Production Injection and Disposal System)

Goal 11

Ensure useful and timely information is available to support the effective, efficient and sustainable development of energy and mineral resources.

Highlight: ***Information management recommendations from the Royalty and Related Information Review are being implemented as the VIPIR project.***

VIPIR (Volumetric and Infrastructure Petroleum Information Registry) will build a central repository and communication facility for volumetric and infrastructure information. This collaborative initiative between the Ministry and the upstream oil and gas industry has finished a conceptual design and business case, and has almost completed the business area analysis phase (see Goal 5 for further information on VIPIR).

The registry will be built, followed by testing with all industry and Ministry stakeholders and initial implementation in 2002.

In 1999, the provincial government also committed additional funding to the Alberta Geological Survey to increase geological mapping and geoscience studies relating to the development of mineral resources.

The goal was to diversify Alberta's economy by better mapping the province geologically, thereby encouraging mineral developers to explore areas with potential more thoroughly. It is the first time that the government has committed to a comprehensive program to assess Alberta's mineral resource potential.

Performance Measures

Non-compliance in Submission of Required Data

The percentage of erroneous and late S-1 and S-2 statements was 1.1 per cent in 1999-2000, well under the EUB target of 5 per cent. The total reviewed submissions for the fiscal year were 600,059, of which 7,082 (1.1 per cent) were erroneous or late. This information is based on monthly production reports compiled by the EUB.

(Source: EUB Production Injection and Disposal System)

Regulatory Data Transacted Electronically

In fiscal 1999-2000, 71 per cent of S-1, S-2, and S-18 reporting statements were filed by diskette, exceeding the target of 65 per cent. In 1998-99, 68 per cent of these statements were filed electronically. Previously, they were submitted in paper format. The EUB expects further improvements in the future, through the VIPIR project.

(Source: EUB Production Injection and Disposal System)

EUB Future Challenges

- Work with stakeholders to develop and implement appropriate dispute resolution mechanisms for resolving application and operational issues early in the energy development process.
- Improve landowner/public relations through expanding field staff's facilitative role.
- Work with other government departments and organizations, the utilities and stakeholders to effect timely resolution of issues and develop a clear understanding of a restructured electric industry.
- Participate with industry to develop a regional strategy for considering cumulative effects and ensure optimum resource recovery of major mineable oil sands developments.
- Improve efficiency of the decision process, reducing time required from end of hearing to decision report by providing additional qualified resources and improved scheduling.
- Streamline application requirements for reservoir development and mineable oil sands projects.
- Implement operating criteria for approving mineable oils sands projects.
- Develop a pilot system for electronically filing applications.
- Increase electronic access to application guides.
- Provide a fair and effective regulatory review process for all utility applications.
- Review and update public safety policies and requirements to ensure consistent industry expectations and appropriate level of safety for Albertans.
- Develop regulatory processes to effectively address emerging issues, such as gas-over-bitumen and coalbed methane.
- Address public concerns about energy operations through focused surveillance of higher-risk operations, problem operators, and areas of intense development.
- Expand the field surveillance program to improve public confidence in the EUB inspection strategy.
- Implement regulatory processes that support reduced flaring objectives, as recommended by the Clean Air Strategic Alliance.
- Develop standards that ensure the continued delivery of quality, reliable gas and electric utility services.
- Reduce potential public liability for abandonment and reclamation of inactive wells and facilities by ensuring companies address their obligations.

- Establish permanent improvement in company compliance through the use of consistent, escalating enforcement actions in all regulatory areas.
- Update business critical systems to ensure compatibility with industry standards.
- Continue to implement improvements for data and information dissemination functions, including identification of revenue-generating opportunities.
- Participate in implementing the Volumetric and Infrastructure Petroleum Information Registry (VIPIR) recommendations for reporting volumetric data and developing a data registry.
- Review data collection functions with stakeholders to assess and confirm data collected and collection requirements.
- Implement a method for electronically capturing basic well data.
- Participate with the NEB and others to review and update estimates for natural gas within Alberta.
- Develop a communications strategy to keep stakeholders more informed about EUB activities.
- Improve the format and function of the current Web site and work towards expanding its use.
- Improve public access to the EUB.
- Facilitate interest in minerals exploration by identifying and mapping geologically favourable areas for diamonds and industrial and metallic mineral deposits.
- Complete the development and implementation of a new funding model that ensures the EUB's ongoing ability to meet service expectations.
- Continue to evaluate alternative and shared service delivery methods for improving the effectiveness of operations.
- Implement key performance indices for all core business areas.
- Upgrade human resource programs to improve the attraction, development and retention of staff, with a concerted focus on expertise renewal.

Results
Analysis

Northern Alberta Development Council

Results Analysis

Goal 12

To receive input into priority northern development opportunities and issues

Highlight: ***The NADC consults with northerners and conducts initial investigation of issues and opportunities with appropriate northern stakeholders and government departments.***

Northern Alberta Development Council members and staff consult with stakeholders all over the north through a formal consultation framework, community visits, and regional tours.

Leaders' Roundtables

The NADC meets with northerners to help identify development opportunities and barriers in the North.

In 1999-2000 roundtable meetings were held in Fort McMurray, Whitecourt, and Slave Lake. Meetings were well attended and a broad range of issues such as telecommunications needs, labour force training and retention needs, regulations, tourism opportunities, municipal infrastructure, transportation needs, forest industry opportunities, and agriculture industry needs were discussed. All participants received a meeting summary and information on NADC's actions as a follow-up to the concerns raised.

Challenge North: Planning for Progress Conference

The NADC held this major conference, March 29 – 31, 2000, in Grande Prairie, to help establish priorities and strategic directions to guide future development in the North. Speakers presented an overview of growth in the North and emerging factors that have an effect on future development. Two hundred and seventy-five leaders from communities, industry, education, health, government and other organizations discussed key demographic, economic, environmental and social issues and made a number of recommendations. The NADC will follow up on these recommendations through its future business plans and other initiatives.

Performance Measure

Effective Community Consultation

Results: The NADC held Leaders' Roundtables with community, business and government leaders in Fort McMurray, Whitecourt and Slave Lake. It sponsored a major conference in Grande Prairie in March, 2000, with over 275 delegates attending. A total of 372 participants were asked to submit evaluations and 106 were received. Of the participants who expressed an opinion, 94 per cent believed that the NADC's consultation processes were an effective way of providing input. The performance target was 90 per cent.

Goal 13

To promote opportunities and address barriers to Northern development

Highlight: ***The NADC works with other jurisdictions as well as within the region to address barriers to economic growth, researches information and carries out strategic initiatives to promote emerging development opportunities.***

Alberta - Northwest Territories (NWT) Memorandum of Understanding (MOU) for Cooperation and Development

In October, 1998 Alberta signed this MOU with the Northwest Territories to address shared priorities. The NADC was appointed the Alberta co-chair. The NADC has monitored the MOU and is awaiting the confirmation of the NWT co-chair. Contact has been made with NWT government officials about a meeting of the co-chairs to review the MOU and decide on future actions.

Transportation

The NADC continues to address transportation opportunities of significance to northern Alberta. As most of the region's products are exported, northern Albertans are concerned about rail and road infrastructure. The NADC is participating in the Western Canadian Corridors and Ports Initiative (WCC&PI), made up of shippers, carriers, facility operators, labour and government representatives and the Northwest Development Corporation (NWDC). These organizations are working on a long-term strategic plan to improve the handling and transportation of commodities, remove unnecessary regulatory and other impediments, deal with transportation implications of increasing value-added production and improve transportation education, training and information. NADC staff meet periodically with the Peace River Regional District of British Columbia to discuss common issues and to coordinate plans.

On December 16, 1999, NADC hosted a meeting in order to bring all stakeholders together with a common interest to look at the possibilities of all-weather road access from Fort McMurray to Fort Chipewyan. As a result, it was decided that a memorandum of understanding had to be developed and signed by all interest groups with the community of Fort Chipewyan. Once the MOU is drawn up, a working group will be set up for a series of meetings with the purpose of developing strategies to build and complete the highway between the two communities.

The NADC has provided the working group with background information on the role of Highway 88 in terms of the provincial highway system, as well as assistance with the preparation of a report on this project.

Staff continue to monitor progress and developments related to the Northwestern Canadian Integrated Road Network Concept Plan.

Northern Alberta Recycling Initiative

The NADC has provided advisory services to the northern recycling organization known as Northern Coordinated Action for Recycling Enterprises. Over the past year, the NADC has provided assistance in the organization of community consultation meetings; liaison with the provincial government; and the investigation of recycling development opportunities in northern Alberta.

Market Opportunities for Alternative Livestock Products

The Northern Alberta Development Council worked closely with Alberta Agriculture, Food and Rural Development (AAFRD); the Metis Settlements General Council; and elk, wild boar and bison producers to complete a research project on the viability of alternative livestock market opportunities, and secondly, how producers might work together to capitalize on identified opportunities.

Western Economic Partnership Agreement

The NADC is participating in a number of projects funded by the Western Economic Partnership Agreement (WEPA) between Alberta and the federal department of Western Economic Diversification. Funds were provided to build improved telecommunications services to several northern communities. These services were needed to allow them access to video conferencing for training, telemedicine, Internet access and other uses. Investment by telephone companies for standard solutions provide a low or negative rate of return.

Additional funds were provided to extend the network of Alberta North community access point (CAP) sites to other communities. Alberta North, formed in 1994, is a partnership of six northern post-secondary institutions. Currently, Alberta North has 24 off-campus CAP sites in northern Alberta. CAPs are educational centres which are electronically connected to northern post-secondary institutions and to each other. CAPs enable learners to receive courses, programs and educational services (career assessment, advice, admissions, registration and library). The funding requested will be used to provide telecommunication access and distance learning technologies such as video-conferencing and audiographics equipment.

WEPA funding is also supporting a two-year project that will assist the development of the bison industry and fund bison research projects in the following areas: bison genetics; nutrition and management; effect of stress due to transportation; and, meat analysis.

Tourism Industry Development

The NADC continues to provide support to the northern tourism industry through ex-officio board participation with the Alberta North Tourism Destination Region. The NADC sponsored and co-chaired the Northern Exposure II Tourism Conference held in Grande Prairie, November 17-19, 2000. The NADC partnered with 12 other tourism marketing and industry development organizations in hosting this event.

The purpose of the conference was to provide northern Alberta's growing tourism industry with educational sessions and a forum for networking between tourism operators, tourism marketing organizations, and key industry service providers. Conference content was based on a survey of the northern tourism industry and input from the conference planning team. Information gathered from the 95 delegates who attended the conference will guide the NADC's follow-up work in the priority areas of product development and encouraging coordinated support service delivery.

Value-Added Agriculture – Assessment, Promotion and Awareness of Value-Added Agriculture Opportunities in the Peace Region

The NADC continues to work with its many partners in the Peace Agriculture Value-Added Strategy working group on a long-term developmental initiative. This project focused on an awareness and promotion strategy related to value-added agriculture (processing and diversification) in the Alberta and British Columbia Peace region.

The actions in this project will raise awareness of the Peace Region's comparative advantages, and the benefits and opportunities for the region of adding value to agricultural production among regional entrepreneurs, investors and communities. The goals of this strategy are to develop a stronger agriculture industry in the region, provide direction to commodity-based organizations and entrepreneurs to develop value-added opportunities, and to improve the sustainability of rural communities. It is a crucial first step in building a mature, self-sustaining value-added agriculture industry.

Performance Measure

Promote Opportunities and Address Barriers to Northern Development

The NADC undertakes projects and initiatives aimed at promoting northern development opportunities. It also addresses barriers that may hinder northern development.

Results: A random telephone survey of 48 out of 60 identified project partners was conducted by an independent consultant. Results are reliable to within ± 5% at a 95% confidence interval. Of those respondents who expressed an opinion, 91 per cent indicated they believed that the NADC's project work promoted an opportunity or addressed a barrier to northern development. The performance target was 90 per cent.

Goal 14

To increase northern skill levels

Highlight: ***The NADC works to increase students' financial capacity to access employment related to post-secondary training and increase the availability of training programs that meet northern employment needs.***

Northern LINKS Program

The Northern Links program was initiated in September 1999 to help northern Alberta students bridge the transition from high school into post-secondary education. The target audiences are grade 12 students and first and second year post-secondary students from northern Alberta.

Post-secondary institutions, schools and school jurisdictions, communities, and regional and industrial organizations may apply for up to $50,000 in project funding. Some of the programs and services they may provide include mentoring, student orientation, campus tours and peer support.

Northern Student Supplement

The Northern Student Supplement, a joint initiative between NADC and Alberta Learning, is a bursary for first and second year northern post-secondary students with high financial need. It supplements the province-wide Alberta Opportunities Bursary. This was the second year that the supplement was available. Five hundred and fifty-eight students received an award, for a total of $633,500.

Northern Alberta Development Council Bursary

The NADC Bursary is a $3,000 return service bursary ($1,500 for a half year of study). In the 1999 - 2000 year, 126 Alberta students were awarded the bursary. They were chosen from among 336 applicants. This year an increased number of students in education and health fields received a bursary. Bursaries were given to students in the following occupational categories:

Occupational categories	**Number of bursaries**
Engineering/Technical	25
Education	25
Health Care/Nursing	24
Natural Sciences/Environment	17
Social Services	10
Business/Administration/Law	15
Humanities/Social Sciences	5
Fine & Applied Arts	5
Total	126

Bursary Partnerships Program

Through Bursary Partnerships, the NADC co-sponsors bursaries for post-secondary students with industry, small businesses and community organizations. Last year the number of sponsors grew from 38 to 41. These sponsors contributed over $126,000 and supported 129 bursaries. The total value of the bursaries is close to $250,000.

Type of sponsor	**Number of bursaries**
Business/Industry	51
Community/Other Organizations	54
School Divisions & Colleges	24
Total	129

Northern Labour Market Information Clearinghouse

The Northern Labour Market Information Clearinghouse project is a joint initiative between the NADC and four northern Alberta colleges; Fairview College, Northern Lakes College, Lakeland College and Keyano College. The project was created in 1995 to provide the colleges with labour force and economic information to help them identify new training programs, or to modify or cancel existing ones. Reports that are prepared by the Clearinghouse cover the areas of industry, specific occupations and training opportunities, as well as on other related topics such as demographic trends and community needs. The Clearinghouse also serves as a potential forum for further communication and cooperation between the partners.

In 1999-2000, the Clearinghouse produced 12 reports that covered a wide range labour force and training issues.

Career Choices - Apprenticeship Pilot Project

Earlier this year, the Northern Alberta Development Council (NADC) began preliminary work on ways to encourage more Aboriginal youth participation in career development opportunities, particularly the Registered Apprenticeship Program. The program provides a different way to earn a high school diploma and seems to be a model of training that Aboriginal communities feel is particularly suited to them.

The NADC believes more can be done to expose students to a wide range of trades and technologies early on. Hopefully this will encourage more students to complete their high school and become apprentices to meet the high demand for trades people in Alberta.

A key success factor is earlier program entry (grade 9) so that when a student completes grade 12, he or she would have accumulated adequate work experience in a trade to receive up to two years' work experience accreditation in an apprenticeship program as recognized by the Alberta Apprenticeship and Industry Training Board.

The NADC plans to further pursue the feasibility of this initiative in partnership with Alberta Learning, industry, local school authorities and other stakeholders in the coming year.

Performance Measure

Enhance Skill Development for Students in Northern Alberta

The NADC coordinates a number of bursary programs and projects aimed at enhancing skill development for students in northern Alberta. Programs enhance students' financial capacity for post-secondary education, and encourage return service to northern Alberta.

Results: Monitoring return service among bursary recipients is an ongoing activity. Annual return service rates are based on recipients who graduated in the previous three years. The current rate of NADC bursary recipients who have fulfilled or are in the process of fulfilling return service obligations is 74 per cent. The target was 75 per cent.

NADC Bursary Return Service Rate

Reporting Year	Return of Service Target	Return of Service Rate	Years used in Calculation
1995/1996	no formal target	71.49	93, 94, 95
1996/1997	72%	72.47	94, 95, 96
1997/1998	74%	76.54	95, 96, 97
1998/1999	75%	76.44	96, 97, 98
1999/2000	75%	73.77	97, 98, 99

(Source: NADC Bursaries database)

The target for the Bursary Partnership program was to confirm $120,000 in matching funding from partners. The actual amount committed was $125,950.

Bursary Partnership Program (BPP) Funding

Reporting Year	Partner Contribution Target	Number of Bursaries	Partner Contribution	BPP Portion
1995/1996	no formal target	80	$93,300	$73,600
1996/1997	$110,000	83	$105,200	$86,805
1997/1998	$130,000	113	$122,050	$100,050
1998/1999	$150,000	116	$122,636	$106,430
1999/2000	$120,000*	129	$125,950	$120,450

** Target adjusted based on actual trends of sponsor contributions*

(Source: NADC Bursaries database)

A baseline and target will be established for the NADC's Northern Links program which commenced in 1999/2000.

Financial Information

Alberta Ministry of Resource Development

Financial Statements March 31, 2000

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Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Resource Development as at March 31, 2000 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry of Resource Development is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies three exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

Capitalization of Lease

One capital lease has been recorded as an operating lease. In my view, an amount of approximately $2,584,000 representing the net book value of the capital lease as at March 31, 2000 should be recorded as a capital asset in these financial statements. In addition, an amount of approximately $2,348,000 representing the obligation under capital lease as at March 31, 2000 should be recognized as a liability in these financial statements. The net effect of the understatement of assets and liabilities is to overstate expenses for the year ended March 31, 2000 by approximately $78,000.

Capitalization of Assets

Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as assets in the accompanying consolidated statement of financial position. In my view, an amount of approximately $4,511,000 representing the net book value of these assets as at March 31, 2000 should be recognized in these financial statements. The net effect of this understatement of assets is to overstate expenses for the year ended March 31, 2000 by approximately $1,977,000.

Excluded direct costs
Accommodation and certain other administration costs incurred in the operation of the Ministry have not been included in expenses. These costs, estimated at $4,151,000 for the year ended March 31, 2000, are recorded by the departments that paid the expenses on behalf of the Ministry of Resource Development.

In my opinion, except for the effects of the matters discussed in the preceding sections, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

May 24, 2000

Ministry of Resource Development

***Consolidated Statement of Operations for the year ended March 31, 2000** (in thousands)*

	2000		1999
	Budget (Note 14)	Actual	Actual
Revenue: (Schedule 1)			
Non-renewable resource revenue	$ 2,416,300	$ 4,838,429	$ 2,618,064
Freehold mineral rights tax	98,000	133,599	111,801
Industry levies and licenses	58,772	53,934	49,377
Internal government transfers	8,200	8,200	–
Other revenue	2,213	7,276	5,116
	2,583,485	5,041,438	2,784,358
Expense: (Schedule 2)			
Energy and utility resources	72,085	68,228	66,129
Departmental support services	22,001	24,022	22,424
Mineral operations and marketing	28,642	21,135	19,221
Research and external relations	14,087	16,664	22,390
Rural utilities	1,313	1,307	962
Energy policy	1,236	980	1,296
	139,364	132,336	132,422
Valuation adjustments:	35	(40)	216
Net operating results from continuing operations	2,444,086	4,909,142	2,651,720
Net operating results from discontinued operations (Note 10)	–	–	581
Net operating results	$ 2,444,086	$ 4,909,142	$ 2,652,301

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Resource Development

Consolidated Statement of Changes in Financial Position for the year ended March 31, 2000
(in thousands)

	2000	1999
Operating transactions:		
Net operating results from continuing operations	$ 4,909,142	$ 2,651,720
Non cash items included in net operating results		
Amortization	5,985	5,212
Pension expense	3,110	3,181
	4,918,237	2,660,113
Increase in accounts receivable	(341,328)	(61,071)
Decrease (increase) in inventory	(15,900)	21,700
Increase in prepaid expenses	(51)	(116)
Decrease (increase) in accounts payable and accrued vacation pay	11,820	(66,636)
Decrease in provision for future project abandonment	–	(1,061)
Decrease (increase) in unearned revenues	706	(478)
Increase in tenant incentives	49	793
	4,573,533	2,553,244
Discontinued operations	–	(1,325)
Cash provided by operating transactions	4,573,533	2,551,919
Financing Activities:		
(Decrease) increase in gas royalty deposits	(42,135)	62,611
Net transfer to General Revenue	(4,425,580)	(2,638,596)
Pension obligations funded	(3,490)	(3,850)
Change in funds held on behalf of others	26,310	10,329
Discontinued operations	–	1,325
Cash used for financing transactions	(4,444,895)	(2,568,181)
Investing Activities:		
Purchase of capital assets	(4,628)	(4,804)
Transfer of pipelines from Transportation and Utilities	–	(2,283)
Net liabilities transferred from Department of Transportation and Utilities(Note 10)	–	581
Net assets transferred to Alberta Science, Research and Information Technology	–	(24,415)
Cash used for investing transactions	(4,628)	(30,921)
Net Cash (Used) Provided	124,010	(47,183)
Cash, Beginning of Year	184,407	231,590
Cash, End of Year	$ 308,417	$ 184,407

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Resource Development

***Consolidated Statement of Financial Position as at March 31, 2000** (in thousands)*

	2000	1999
Assets:		
Cash and short-term investments (Note 4)	$ 308,417	$ 184,407
Accounts receivable	699,197	357,869
Inventory held for resale	49,000	33,100
Prepaid expenses	586	535
Deferred pension assets (Note 5)	5,724	5,344
Capital assets (Note 6)	27,589	28,946
	$ 1,090,513	$ 610,201
Liabilities and Net Assets:		
Accounts payable	$ 62,196	$ 50,129
Accrued vacation pay	6,810	7,057
Unearned revenue	73,195	72,489
Gas royalty deposits	248,194	290,329
Funds held on behalf of others (Note 7)	40,924	14,614
Tenant incentives	763	714
	432,082	435,332
Net Assets:		
Net assets, beginning of period (Note 15)	174,869	186,160
Net operating results	4,909,142	2,652,301
Net transfer to General Revenue	(4,425,580)	(2,638,596)
Net assets transferred to Alberta Science, Research and Information Technology	–	(24,415)
Net liabilities transferred from Department of Transportation and Utilities	–	(581)
Net assets, end of period (Note 8)	658,431	174,869
	$ 1,090,513	$ 610,201

The accompanying notes and schedules are part of these financial statements.

Ministry of Resource Development

***Notes to the Consolidated Financial Statements as at March 31, 2000** (in thousands)*

Note 1 – Authority

The Minister of Resource Development has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Resource Development.

Organization	Authority
Department of Resource Development	Government Organization Act
Alberta Energy and Utilities Board	Alberta Energy and Utilities Board Act
Alberta Petroleum Marketing Commission	Petroleum Marketing Act and the Natural Gas Marketing Act

Note 2 – Purpose

The Ministry of Resource Development optimizes the sustained contribution from Alberta's resources in the interests of Albertans and regulates energy development in a manner that protects individual, public and industry interests with respect to the resources and the environment.

Note 3 – Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Ministry of Resource Development, which consists of the organizations identified in Note 1.

(b) Basis of Financial Reporting

Basis of Consolidation

The accounts of the Department, the Alberta Energy and Utilities Board and the Alberta Petroleum Marketing Commission are consolidated. Revenue and

expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

The reporting period of the Alberta Petroleum Marketing Commission is December 31. Transactions that have occurred during the period to March 31, 2000 and that significantly affect the consolidation have been recorded.

Expenses
Pension costs for the multi employer plans included in these statements comprise the cost of employer contributions for current service of employees during the year and additional government and employer contributions for employees' service relating to prior years. Pension costs for Alberta Energy and Utilities Board private pension plans include the cost of current service plus any gains or losses resulting from experience adjustments, changes in assumptions, and prior service. The gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group.

Certain expenses, primarily for office space and legal advice, incurred on behalf of the Ministry by other Ministries are not reflected in the consolidated statement of net income.

Valuation Adjustments
Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value.

Assets
Inventory consists of conventional and synthetic oil in feeder and trunk pipelines. Inventories are stated at net realizable value.

Capital assets are recorded at historical cost and are amortized over their estimated useful lives.

Liabilities
Liabilities include all financial claims payable by the Ministry at fiscal year end.

Valuation of Financial Assets and Liabilities
Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities, unearned revenues and gas royalty deposits are estimated to approximate their book values.

Note 4 – Cash and Short-term Investments

Cash and short-term investments consist of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. Treasury is managing the Fund with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the Fund's investments, the carrying value approximates fair value. Funds held on behalf of others are invested in chartered bank deposits, and all investment earnings are accrued to the benefit of the depositor.

Note 5 – Deferred Pension Assets

The Ministry participates with other related government entities in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers established by the Alberta Government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $ 2,300 for the year ended March 31, 2000 (1999 - $2,628).

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019 (1998-$4,355) and the Public Service Pension Plan reported a surplus of $517,020 (1998-$406,445). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33.

To compensate senior staff of the Alberta Energy and Utilities Board who do not participate in the Management Employees Pension Plan, the Alberta Energy and Utilities Board maintains a defined benefit Senior Employees Pension Plan and non-contributory supplementary benefit plans. The supplementary benefit plans provide additional retirement compensation to the extent that statutory guidelines and plan amendments limit benefits under the Senior Employees Pension Plan. These plans provide pensions for the Alberta Energy and Utilities Board's employees based on years of service and average earnings at retirement.

The unfunded pension obligation for the Senior Employees Pension Plan and supplementary benefit plans is an extrapolation of the actuarial valuation completed as at December 31, 1997. The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in computing the projected benefit obligation include:

Investment return	7.5 per cent per annum
Inflation	3.5 per cent per annum
Salary increase rate	75 per cent of inflation, plus merit and promotion
Cost-of-living increase	60 per cent of inflation

The funded status and amounts recognized in the Consolidated Statement of Financial Position are as follows:

	Senior Employees Pension Plan		Supplementary Benefit Plans	
	2000	1999	2000	1999
Assets at market value	$ 12,252	$10,474	$ 232	$ -
(Actuarial liabilities)	(10,736)	(9,830)	(1,499)	(1,554)
Net asset (obligation)	1,516	644	(1,267)	(1,554)
Unamortized costs	4,671	5,335	804	919
Deferred pension assets	$ 6,187	$ 5,979	$ (463)	$ (635)

The expense for these pension plans is $1,190 for the year ended March 31, 2000 (1999 - $1,213). Pension expense includes the cost of current service plus any gains or losses resulting from experience adjustments, changes in assumptions, and prior service. The gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group.

Note 6 – Capital Assets

		2000			1999
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	4-5 years	$ 61,307	$ 39,014	$ 22,293	$ 23,138
Equipment	10 years	7,576	5,575	2,001	2,355
Pipelines	40 years	2,927	761	2,166	2,238
Leasehold Improvement	Term of lease	1,553	744	809	895
Land		320	-	320	320
		$ 73,683	$ 46,094	$ 27,589	$ 28,946

Note 7 – Funds Held on Behalf of Others

Cash deposits are collected by the Alberta Energy and Utilities Board to ensure the proper abandonment of oil and gas wells. The deposits plus annual interest are returned to the registered owner upon compliance.

Note 8 – Net Assets

Net assets are comprised of:

	2000	1999
Alberta Resource Development	$ 629,121	$ 119,649
Alberta Petroleum Marketing Commission	(83)	30,800
Alberta Energy and Utilities Board	29,393	24,420
Total	$ 658,431	$ 174,869

Note 9 – Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds, and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, trust funds under administration were as follows:

	2000	1999
Mines and Minerals Act Securities Trust	$ 215	$ 382
Oil and Gas Conservation Trust	29	16
Total	$ 244	$ 398

Note 10 – Discontinued Operations

On October 2, 1997, the management of Gas Alberta Operating Fund adopted a plan to discontinue gas brokerage and retail billing operations. These activities comprised the total operations of the Fund.

The revenue and expenses relating to Gas Alberta Operating Fund were as follows:

	1999
Revenues from gas operations	$ 7,345
Expenses:	
Gas operations	(7,477)
Administration costs	(91)
Net results from operations	(223)
Gain on sale of operations	804
Net income	$ 581

Effective April 1, 1998 Gas Alberta Operating Fund was transferred to the Ministry of Resource Development from the Ministry of Transportation and Utilities. The Ministry of Transportation and Utilities reports the prior year's revenue and expenses.

Note 11 – Commitments

Commitments to outside organizations in respect of contracts entered into before March 31, 2000 amount to $56,041 (1999 - $40,389). These commitments will become expenses of the Ministry when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature. These amounts include obligations under long-term leases with lease payment requirements in future years of:

2000-01	$	13,364
2001-02		5,975
2002-03		4,110
2003-04		3,951
2004-05		3,933
Thereafter		24,708
	$	56,041

Royalty Paid Natural Gas

The Province is committed to pay out January 1, 1994 balances of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 2000, the commitment was estimated at $59,969 (1999 - $83,071). All commitments have been discharged with the exception of one project, which will be amortized to 2006.

Alberta Petroleum Marketing Commission

The Alberta Petroleum Marketing Commission has allocated a portion of its anticipated pipeline requirements to firm transportation agreements of up to twelve years. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contract rates. The aggregate estimated commitment at December 31, 1999 of $145,548 (1998 - $170,154) will be paid from future oil royalty revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

Note 12 – Contingencies

Set out below are details of contingencies resulting from administrative appeals and litigation, other than those reported as liabilities.

(a) Natural Gas and By-Product Royalties Appeals

Industry has appealed assessments resulting from the Ministry's Compliance and Assurance audits. The appeals relate to cost and unit price issues in the processing of natural gas liquids. The potential cost is unknown. In the opinion of management, the likely results of these appeals cannot be determined at this time.

(b) Land Claims

The government has identified and set aside specific tracts of land to satisfy land claims by Indian Bands. The claims related to these lands are not yet resolved. In the interim, the Ministry has issued 23 petroleum and natural gas dispositions on these lands and collected bonus and rental payments on the areas under dispute. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

Note 13 – Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Non-renewable resource revenue recorded as $4,838,429 and freehold mineral rights tax recorded as $133,599, in these financial statements, are subject to measurement uncertainty. Non-renewable resource revenue and freehold mineral rights tax are calculated based on production volumes reported to the Ministry by royalty payers. These volumes could vary significantly from that initially reported. Accounts receivable, recorded as $699,197 in these statements, is subject to measurement uncertainty. Estimates are used in accruing revenues in circumstances where the actual accrued revenues are unknown at the time these financial statements are prepared.

Note 14 – Budget

The budget figures were derived from Government Estimates tabled in the Legislature. Effective April 1, 1999, the responsibilities of the Department of Resource Development changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. The budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

As required by the Balanced Budget and Debt Retirement Act, budgeted revenue is reduced by a cushion for resource revenue.

Note 15 – Change in Accounting Policy

The Alberta Energy and Utilities Board has changed the method used to account for its participation in multi-employer pension plans to a defined contribution basis. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of this change, net assets of the Ministry as at April 1, 1998, has been increased by $1,569. As at March 31, 1999, deferred pension assets and net assets have increased by $1,424, and pension expense has increased by $145 for the year ended March 31, 1999.

Note 16 – Related Party Transactions

The Ministry paid $4,142 (1999 - $4,534) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year and received $8,242 (1999 - $0) as revenue. Accommodations, legal, telecommunications, personnel, audit services, and certain financial costs were provided to the Ministry by other government organizations at no cost.

Note 17 – Comparative Figures

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

Note 18 – Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer of the Department.

Ministry of Resource Development

Consolidated Schedule of Revenue as at March 31, 2000 *(in thousands)*

Schedule One

	2000		1999
	Budget	**Actual**	**Actual**
Non-renewable resource revenue			
Natural gas and by-products	$ 1,695,000	$ 2,440,712	$ 1,466,800
Crude oil royalties	346,000	1,072,614	469,897
Bonuses and sale of crown leases	430,000	743,392	463,691
Synthetic crude oil and bitumen	43,000	426,108	58,872
Rentals and fees	143,000	140,959	141,751
Coal	15,000	14,644	17,053
Reduction to 5 year average	(255,700)	–	–
	2,416,300	4,838,429	2,618,064
Freehold mineral rights tax	98,000	133,599	111,801
Total resource revenue	2,514,300	4,972,028	2,729,865
Industry levies and licenses			
Industry levies and assessments	54,282	48,500	43,806
Information services	4,490	5,434	5,571
	58,772	53,934	49,377
Internal government transfers			
Transfer from the Lottery Fund	8,200	8,200	–
Other revenue			
Other	1,213	5,552	3,480
Interest	1,000	1,724	1,636
	2,213	7,276	5,116
Total Gross Revenues	$ 2,583,485	$ 5,041,438	$ 2,784,358

Ministry of Resource Development

Consolidated Schedule of Expenses Detailed by Object for the year ended March 31, 2000
(in thousands)
Schedule Two

	2000		1999
	Budget	**Actual**	**Actual**
Salaries, wages and employee benefits	$ 78,149	$ 76,864	$ 75,843
Supplies and services	32,339	36,317	33,433
Grants	15,800	9,750	14,507
Amortization of capital assets	6,066	5,985	5,212
Well abandonment	7,625	3,961	4,024
Financial transactions and other	45	77	94
Gross expenses for operations	140,024	132,954	133,113
Less: Recovery from Support Service Agreements with related parties	(660)	(618)	(691)
Total Net Expenses	$ 139,364	$ 132,336	$ 132,422

Ministry of Resource Development

Consolidated Schedule of Intra-Ministry Transactions for the year ended March 31, 2000
(in thousands)
Schedule 3

	2000 Budget	2000 Actual	1999 Actual
Assets			
Alberta Petroleum Marketing Commission	$ –	$ (38,830)	$ (19,686)
Total net assets	$ –	$ (38,830)	$ (19,686)
Liabilities			
Alberta Petroleum Marketing Commission	$ –	$ (38,830)	$ (19,686)
Total net liabilities	$ –	$ (38,830)	$ (19,686)
Revenue			
Alberta Energy and Utilities Board funding from the Department	$ (13,594)	$ (16,130)	$ (14,966)
Total net revenue	$ (13,594)	$ (16,130)	$ (14,966)
Expense			
Funding to Alberta Energy and Utilities Board	$ (13,594)	$ (16,130)	$ (14,966)
Total net expense	$ (13,594)	$ (16,130)	$ (14,966)

Alberta Department of Resource Development

Financial Statements March 31, 2000

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Auditor's Report

To the Minister of Resource Development

I have audited the statement of financial position of the Department of Resource Development as at March 31, 2000 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department of Resource Development is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 2. These accounting policies have been established by Alberta Treasury and are consistent across departments. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies two exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

Capitalization of Assets

Capital assets costing less than $15,000 are expensed in the year acquired and have not been recognized as assets in the accompanying statement of financial position. In my view, an amount of approximately $4,511,000 representing the net book value of these assets as at March 31, 2000, should be recognized in these financial statements. The net effect of this understatement of assets is to overstate expenses for the year ended March 31, 2000 by approximately $1,977,000.

Excluded direct costs

Accommodation and certain other administration costs incurred in the operation of the Department have not been included in expenses. These costs, estimated at $4,151,000 for the year ended March 31, 1999, are recorded by the departments that paid the expenses on behalf of the Department of Resource Development.

In my opinion, except for the effects of the matters discussed in the preceding sections, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

May 24, 2000

Department of Resource Development

***Statement of Operations for the year ended March 31, 2000** (in thousands)*

	2000		1999
	Budget (Schedule 4)	Actual	Actual
Revenue: (Schedules 1 and 2)			
Non-renewable resource revenue	$ 2,672,000	$ 4,869,312	$ 2,598,464
Freehold mineral taxes	98,000	133,599	111,801
Internal government transfers	8,200	8,200	–
Other revenue	1,095	4,139	3,202
	2,779,295	5,015,250	2,713,467
Expense:			
Voted (Schedules 2, 3, 4, 5 and 7)			
Department support services	22,001	24,022	22,424
Mineral operations	28,642	21,927	19,221
Planning and development	14,087	16,664	22,390
Energy and utilities regulation	13,594	15,338	14,966
Northern development	1,313	1,307	962
Forestry development	1,236	980	1,296
	80,873	80,238	81,259
Valuation Adjustments			
Provision for doubtful accounts	35	(70)	5
Provision for vacation pay	–	30	211
	35	(40)	216
Total Expenses	80,908	80,198	81,475
Net Operating Results	$ 2,698,387	$ 4,935,052	$ 2,631,992

The accompanying notes and schedules are part of these financial statements.

Department of Resource Development

***Statement of Changes in Financial Position for the year ended March 31, 2000** (in thousands)*

	2000	1999
Operating transactions:		
Net operating results	$ 4,935,052	$ 2,631,992
Non-cash items included in net operating results:		
Amortization	4,388	4,160
Valuation adjustments	(40)	216
	4,939,400	2,636,368
Increase in accounts receivable	(364,756)	(77,982)
Decrease (increase) in inventories held for resale	(15,900)	21,700
Increase in loans and advances	1	(119)
Decrease in accounts payable and accrued liabilities	(3,364)	(21,403)
Increase (decrease) in unearned revenue	706	(476)
Cash provided by operating transactions	4,556,087	2,558,088
Financing transactions:		
Net transfer to General Revenues	(4,425,580)	(2,638,014)
Increase (decrease) in gas royalty deposits	(42,135)	62,612
Cash used by financing transactions	(4,467,715)	(2,575,402)
Investing transactions:		
Purchase of capital assets (Schedule 5)	(472)	(979)
Transfer of gas pipelines from Transportation and Utilities	–	(2,283)
Cash used for investing transactions	(472)	(3,262)
Net cash (used) provided	87,900	(20,576)
Cash and short-term investments, beginning of year	150,744	171,320
Cash and short-term investments, end of year	$ 238,644	$ 150,744

The accompanying notes and schedules are part of these financial statements.

Department of Resource Development

***Statement of Financial Position as at March 31, 2000** (in thousands)*

		2000		1999
Assets:				
	Cash and short-term investments (Note 4)	$ 238,644	$	150,744
	Accounts receivable (Note 5)	664,402		299,646
	Inventories held for resale	49,000		33,100
	Loans and advances (Note 6)	133		134
	Capital assets (Note 7)	18,472		22,388
		$ 970,651	$	506,012
Liabilities:				
	Accounts payable and accrued liabilities	$ 20,141	$	23,545
	Gas royalty deposits	248,194		290,329
	Unearned revenue	73,195		72,489
		341,530		386,363
Net Assets:				
	Net assets, beginning of year, as restated (Note 3)	119,649		125,671
	Net operating results	4,935,052		2,631,992
	Net transfer to General Revenues	(4,425,580)		(2,638,014)
	Net assets, end of year	629,121		119,649
		$ 970,651	$	506,012

The accompanying notes and schedules are part of these financial statements.

Department of Resource Development

Notes to the Financial Statements as at March 31, 2000
(in thousands)

Note 1 – Authority and Purpose

The Department of Resource Development operates under the authority of the Government Organization Act, Statutes of Alberta.

The Department's mission is to optimize the sustained contribution from Alberta's resources in the interests of Albertans.

Note 2 – Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Resource Development, which is part of the Ministry of Resource Development and for which the Minister of Resource Development is accountable. Other entities reporting to the Minister include the Alberta Petroleum Marketing Commission and the Alberta Energy and Utility Board. The activities of these organizations are not included in these financial statements.

Since significant financial transactions of the Ministry are reported outside the departmental financial statements, the Ministry financial statements provide a more comprehensive accounting of the financial position and results of the Ministry's operations. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of the departments are deposited into the Fund and all cash disbursements made by the departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues
All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Internal Government Transfers
Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue
Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenue exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses
Expenses represent the costs of resources consumed during the year on the Department's operations. Expenses include amortization of capital assets. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for services relating to prior years.

Certain expenses, primarily for office space, legal advice, and banking services incurred on behalf of the Department by other Ministries, are not reflected in the Statement of Operations. Schedule 7 discloses information on these related party transactions.

Valuation Adjustments
Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent a change in management's estimate of future payments arising from obligations relating to vacation pay.

Assets
Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Inventory consists of oil in feeder and trunk pipelines. Inventory is stated at net realizable value.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $15. Assets acquired by right, such as mineral resources, are not included

Liabilities
Liabilities include all financial claims payable by the Department at fiscal year end.

Net Assets/Net Liabilities
Net assets/net liabilities represents the difference between the value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities
Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, loans and advances, accounts payable and accrued liabilities, unearned revenues and gas royalty deposits are estimated to approximate their book values.

Note 3 – Reorganization

There were some changes in the responsibilities of the department as a result of a major reorganization announced by the government on May 25, 1999 and transfers of responsibility announced throughout the year. Comparatives for 1999 have been restated as if the Department had always been assigned its current responsibilities.

Net assets, as previously reported at March 31, 1998	$	125,951
Transfer to Department from Executive Council		(177)
Transfer to Department from Environment		(103)
Net assets/net liabilities, as restated at March 31, 1998	$	125,671

Note 4 – Cash and Short-term Investments

Cash and short-term investments consist of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. The Fund is being managed by Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the Fund's investments the carrying value approximates fair value.

Note 5 – Accounts Receivable

Accounts receivables are secured by a claim against the mineral leases.

Note 6 – Loans and Advances

	2000			1999
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Travel Advances	$ 22	$ –	$ 22	$ 14
Loans Receivable				
10 years	23	6	17	21
25 years	125	31	94	99
	$ 170	$ 37	$ 133	$ 134

Travel advances are provided to departmental employees to cover the cost of business travel.

Loans have been provided to Albertans in rural areas under the Rural Electrification Loans Program to help finance the costs of installing electricity into homes.

The 10-year loans, issued under the Rural Electrification Loan Act, are repayable at 10 per cent of principal per annum plus interest that ranges from 3.5 per cent to 9.75 per cent, as determined when the loans were issued. Repayment commences one year after the loan is issued.

The 25-year loans, issued under the Rural Electrification Long Term Financing Act, are repayable over 25 years at interest rates that range from 3.5 per cent to 9.75 per cent, as determined when the loans were issued.

The allowance for doubtful accounts is established at 25 per cent of the remaining loan balances outstanding for 10 and 25 year loans.

Note 7 – Capital Assets

		2000			1999
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	5 years	$ 42,727	$ 27,286	$ 15,441	$ 18,869
Equipment	10 years	4,126	3,261	865	1,280
Pipeline	40 years	2,927	761	2,166	2,239
		$ 49,780	$ 31,308	$ 18,472	$ 22,388

Note 8 – Commitments

As at March 31, 2000, the Department has commitments totaling $11,605 (1999 - $3,665). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature. These amounts include obligations under long term leases with lease payment requirements in future years of:

2000-01	$	9,385
2001-02		2,007
2002-03		183
2003-04		24
2004-05		6
	$	11,605

Royalty Paid Natural Gas

The Province is committed to pay out January 1, 1994 balances of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 2000, the commitment was estimated at $59,969 (1999-$83,071). All commitments have been discharged with the exception of one project, which will be amortized to 2006.

Note 9 – Contingencies

At March 31, 2000, the Department has been named in administrative appeals and litigation.

Any losses arising from the settlement of contingencies will be treated as current year expenses.

(a) Natural Gas and By-Product Royalties Appeals

Industry has appealed assessments resulting from the Department's Compliance and Assurance audits. The appeals relate to cost and unit price issues in the processing of natural gas liquids. The potential cost is unknown. In the opinion of management, the likely results of these appeals cannot be determined at this time.

(b) Land Claims

The government identifies and sets aside specific tracts of land to satisfy land claims made by Indian Bands. The claims related to these lands are under negotiation but are not yet resolved. In one instance, the Department may have to revoke 23 petroleum and natural gas dispositions for which the government accepted bonus, rental payments, and royalties. When these land claims will be resolved is unknown. In the opinion of management, any losses that may result from the eventual settlement of these land claims cannot be determined at this time.

Note 10 – Trust Funds under Administration

The Department administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2000, trust funds under administration were as follows:

	2000	1999
Mines and Minerals Act Securities Trust	$ 215	$ 382
Oil and Gas Conservation Trust	29	16
Total	$ 244	$ 398

Note 11 – Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Revenue, recorded as $5,015,250 in these financial statements, is subject to measurement uncertainty. Revenue is calculated based on production volumes reported to the Department by royalty payers. These volumes could vary significantly from that initially reported. Accounts receivable, recorded as $664,402 in these statements, is subject to measurement uncertainty. Estimates are used in accruing revenues in circumstances where the actual accrued revenues are unknown at the time these financial statements are prepared.

Note 12 – Pensions

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $380 for the year ended March 31, 2000 (1999-$660).

Effective January 1, 1999, the Department's contribution to the Public Service Pension Plan was reduced by .3 per cent of pensionable salaries.

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019 (1998-$4,355) and the Public Service Pension Plan reported a surplus of $517,020 (1998-$406,445). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33.

Note 13 – Comparative Figures

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

Note 14 – Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Senior Financial Officer of the Department.

Department of Resource Development

Schedule of Revenue for the year ended March 31, 2000 *(in thousands)*

Schedule One

	2000		1999
	Authorized Budget	**Actual**	**Actual**
Non-renewable resource revenue:			
Natural gas and by-products royalty	$ 1,695,000	$ 2,440,712	$ 1,466,800
Crude oil royalty	346,000	1,103,497	450,297
Bonuses and sales of crown leases	430,000	743,392	463,691
Synthetic crude oil and bitumen royalty	43,000	426,108	58,872
Rentals and fees	143,000	140,959	141,751
Coal royalty	15,000	14,644	17,053
	2,672,000	4,869,312	2,598,464
Other taxes:			
Freehold mineral rights tax	98,000	133,599	111,801
Internal government transfers			
Transfer from the Lottery Fund	8,200	8,200	–
Other revenue			
Other	925	3,975	3,137
Northern Alberta Development Council	170	164	65
	1,095	4,139	3,202
Total Revenue	$ 2,779,295	$ 5,015,250	$ 2,713,467

Department of Resource Development

***Schedule of Dedicated Revenue for the year ended March 31, 2000** (in thousands)*
Schedule Two

	2000		1999
	Authorized Budget	Actual	Actual
Northern Alberta Development Council (NADC)			
Dedicated Revenue	$ (45)	$ (36)	$ (45)
Expense	1,072	1,060	962
Net Expense	$ 1,027	$ 1,024	$ 917
Western Economic Partnership Agreement (WEPA)			
Dedicated Revenue - transfer from Government of Canada	$ (125)	$ (123)	$ –
Expense	250	247	–
Net Expense	$ 125	$ 124	$ –

The NADC region includes 60 per cent of Alberta's area and 10 per cent of its population. The region has a strong natural resource base which is still developing. The primary markets for resources include the United States and the Pacific Rim. The issues of distance to markets and delivery of services in this vast part of Alberta are challenges that northerners address on a daily basis. In 1999-2000 NADC focused on three goals: to promote emerging development opportunities; to address barriers to economic growth; and to increase skill levels to take advantage of economic opportunities. The $36,000 in dedicated revenue is provided by industry partners.

The Canada/Alberta Western Economic Partnership Agreement (WEPA) provided funding for two projects. The first is for Bison Genetics/Management Research which will encourage research and development activities of the bison industry in northern Alberta. The second project is Northern Long Distance Education which is an extension of an off-campus electronic network to Aboriginal and remote communities which will allow them to receive courses, programs and various educational services, as well as access to telecommunications and video conferencing. The $123,000 dedicated revenue is provided by the Federal Government.

Department of Resource Development

***Schedule of Expense Detailed by Object for the year ended March 31, 2000** (in thousands)*
Schedule Three

	2000		1999
	Budget	**Actual**	**Actual**
Voted:			
Salaries, Wages & Employee Benefits	$ 32,191	$ 31,743	$ 30,148
Grants	29,394	25,088	29,473
Supplies and Services	15,437	19,560	18,075
Amortization of Capital Assets	4,466	4,388	4,160
Financial Transactions and Other	45	77	94
Total Voted Expenses before Recoveries	81,533	80,856	81,950
Less: Recovery from Support Service Arrangements with Related Parties (a)	(660)	(618)	(691)
Total Voted Expenses	$ 80,873	$ 80,238	$ 81,259

(a) The Department provides financial services to Alberta Environment and Alberta Agriculture, Food and Rural Development. Costs incurred for these services are recovered from Environment.

Department of Resource Development

***Schedule of Budget for the Year ending March 31, 2000** (in thousands)*

Schedule Four

	1999/00 Estimates Restated (a)	Authorized Supplementary (b)	1999/00 Authorized Budget
Revenue:			
Non-renewable resource revenue	$ 2,672,000	$ –	$ 2,672,000
Other taxes	98,000	–	98,000
Internal government transfers	8,200	–	8,200
Other	925	–	925
Northern development	170	–	170
	2,779,295	–	2,779,295
Expense:			
Voted			
Departmental support services	22,001	363	22,364
Mineral operations	28,642	236	28,878
Planning and development	14,087	173	14,260
Energy and utilities regulation	13,594	1,744	15,338
Northern development	1,313	9	1,322
Forestry development	1,236	17	1,253
	80,873	2,542	83,415
Valuation Adjustments	35	–	35
Net Operating Results	$ 2,698,387	$ (2,542)	$ 2,695,845

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. This budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) Supplementary Estimates were approved on March 14, 2000. Treasury Board approval is pursuant to section 29 (1.1) of the Financial Administration Act.

Department of Resource Development

***Schedule of Comparison of Expense by Element to Authorized Budget for the year ended March 31, 2000** (in thousands)*

Schedule Five

	1999/00 Estimates Restated (a)	Authorized Supplementary (b)	1999/00 Authorized Budget	1999/00 Actual Expense	Unexpended (Over Expended)
Expenses:					
Voted					
Program 1 - Departmental Support Services					
1.0.1 Minister's Office	$ 250	$ 4	$ 254	$ 253	$ 1
1.0.8 Associate Minister Forestry	153	3	156	179	(23)
1.0.2 Deputy Ministers' Office	365	20	385	339	46
1.0.3 Corporate Services					
- Operating expense	15,966	325	16,291	18,242	(1,951)
- Capital expense	617	–	617	–	617
1.0.4 Communications	436	–	436	321	115
1.0.5 Internal Audit	290	7	297	136	161
1.0.6 Legal Services	133	4	137	164	(27)
1.0.7 Amortization	4,408	–	4,408	4,388	20
1.0.9 Chief Information Office	–	–	–	–	–
	22,618	363	22,981	24,022	(1,041)
Program 2 - Mineral Operations					
2.0.1 Program Support	237	–	237	171	66
2.0.2 Tenure and Royalties					
- Operating expense	20,205	236	20,441	19,232	1,209
- Operating expense funded by Lotteries	8,200	–	8,200	2,524	5,676
- Capital expense	698	–	698	472	226
	29,340	236	29,576	22,399	7,177
Program 3 - Planning and Development					
3.0.1 Program Support	233	13	246	309	(63)
3.0.2 Policy Development and Analysis	4,907	111	5,018	4,850	168
3.0.3 External Relations	568	4	572	422	150
3.0.4 Electricity	1,229	35	1,264	1,339	(75)
3.0.5 Rural Utilities					
- Operating expense	7,150	10	7,160	7,099	61
- Operating expense funded by Lotteries	–	–	–	2,645	(2,645)
	14,087	173	14,260	16,664	(2,404)

Department of Resource Development

***Schedule of Comparison of Expense by Element to Authorized Budget for the year ended March 31, 2000** (in thousands)*

Schedule Five

(continued)

	1999/00 Estimates Restated (a)	Authorized Supplementary (b)	1999/00 Authorized Budget	1999/00 Actual Expense	Unexpended (Over Expended)
Program 4 - Energy and Utilities Regulation					
4.0.1 Alberta Energy and Utilities Board	13,594	1,744	15,338	15,338	–
	13,594	1,744	15,338	15,338	–
Program 5 - Forestry Development					
5.0.1 Forestry Industry Development	1,236	17	1,253	980	273
	1,236	17	1,253	980	273
Program 6 - Northern Development					
6.0.1 Northern Alberta Development Council	1,063	9	1,072	1,060	12
6.0.2 Western Economic Partnership Agreement	250	–	250	247	3
	1,313	9	1,322	1,307	15
Total Voted Expenses	$ 82,188	$ 2,542	$ 84,730	$ 80,710	$ 4,020
Program Operating Expense	$ 72,673	$ 2,542	$ 75,215	$ 75,069	$ 146
Program Operating Expense funded by Lotteries	8,200	–	8,200	5,169	3,031
	80,873	2,542	83,415	80,238	3,177
Program Capital Investment	1,315	–	1,315	472	843
Total Voted Expenses	$ 82,188	$ 2,542	$ 84,730	$ 80,710	$ 4,020

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. This budget amount has restated the 1999-2000 Government and Lottery Funds Estimates that were approved on April 29, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) Supplementary Estimates were approved on March 14, 2000. Treasury Board approval is pursuant to section 29(1.1) of the Financial Administration Act.

Department of Resource Development

***Schedule of Salaries and Benefits Disclosure for the year ended March 31, 2000** (in thousands)*

Schedule Six

	2000 [2]				1999	
	# of Individuals	Salary [3]	Benefits & Allowances [4]	Total	# of Individuals	Total
Department of Resource Development						
Senior Official						
Deputy Minister [5]	1.0	$ 154	$ 31	$ 185	1.0	$ 161
Executives - Assistant Deputy Ministers						
Corporate Services	1.0	120	24	144	1.0	131
Planning and Development [6]	1.0	116	23	139	1.0	127
Planning and Development (Acting) [7]	0.3	42	9	51	–	–
Executive Director - Electricity	1.0	118	23	141	1.0	130
Mineral Operations [8]	–	–	–	–	1.0	125

(1) Prepared in accordance with Treasury Board Directive 12/98. The schedule includes the salary and benefits of the last incumbent.

(2) This schedule includes the Department of Resource Development and Alberta Petroleum Marketing Commission.

(3) Salary includes regular base pay, overtime, vacation payout and any other direct cash remuneration.

(4) Benefits and Allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, WCB premiums, health care, dental coverage, group life insurance, short and long term disability.

(5) Automobile provided, no dollar amount included in benefits and allowances figure.

(6) Individual in this position was seconded to Environmental Protection on January 1, 2000.

(7) Individual in this position was acting effective January 1, 2000.

(8) Position was unfilled at year-end.

Department of Resource Development

***Schedule of Related Party Transactions for the year ended March 31, 2000** (in thousands)*

Schedule Seven

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2000	**1999**	**2000**	**1999**
Expenses:				
Grants	$ 16,129	$ 14,966	$ –	$ –
Other services	–	–	15	21
	$ 16,129	$ 14,966	$ 15	$ 21

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		Other Entities	
	2000	**1999**	**2000**	**1999**
Expenses (notional):				
Accommodation	$ –	$ –	$ 4,722	$ 3,492
Other services	–	–	858	640
	$ –	$ –	$ 5,580	$ 4,132

Alberta Energy and Utilities Board

Financial Statements March 31, 2000

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Auditor's Report

To the Members of the Alberta Energy and Utilities Board:

I have audited the statement of net assets of the Alberta Energy and Utilities Board as at March 31, 2000 and the statements of revenue and expenditure and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Board is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 2. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With one exception, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exception from generally accepted accounting principle that arises from following the accounting policy established by Alberta Treasury.

Capitalization of Lease

A capital lease has been recorded as an operating lease. In my view, an amount of approximately $2,584,000 representing the net book value of the capital lease as at March 31, 2000 should be recorded as a capital asset in these financial statements. In addition, an amount of approximately $2,348,000 representing the obligation under capital lease as at March 31, 2000 should be recognized as a liability in these financial statements. The net effect of the understatement of assets and liabilities is to overstate expenses for the year ended March 31, 2000 by approximately $78,000.

In my opinion, except for the effects of the matter discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

May 5, 2000

Alberta Energy and Utilities Board

Energy Resources and Well Abandonment Funds

Statement of Net Assets as at March 31, 2000 *(thousands of dollars)*

		2000		*(Restated)* 1999
Assets				
Cash and investments (Note 3)	$	21,138	$	16,092
Funds held on behalf of others (Note 4)		40,924		14,614
Accounts receivable		3,330		3,084
Prepaid expenses		586		535
Current assets		65,978		34,325
Deferred pension assets (Note 5)		5,724		5,344
Capital assets (Note 6)		9,117		6,558
	$	80,819	$	46,227
Liabilities and Net Assets				
Accounts payable	$	6,420	$	2,743
Funds held on behalf of others (Note 4)		40,924		14,614
Current portion of long-term liabilities		2,182		2,678
Current liabilities		49,526		20,035
Accrued vacation		1,137		1,058
Deferred lease incentives		763		714
Total liabilities		51,426		21,807
Net assets		29,393		24,420
	$	80,819	$	46,227

The accompanying notes and schedules are an integral part of these financial statements.

Alberta Energy and Utilities Board

Energy Resources and Well Abandonment Funds

Statement of Revenue and Expenditure for the Year Ended March 31, 2000

(thousands of dollars)

	2000		*(Restated)* 1999
	Actual	**Budget**	**Actual**
Revenue			
Industry levies and assessments	$ 48,500	$ 54,282	$ 43,806
Provincial contributions	16,060	13,594	15,066
Information, services, and fees	5,504	4,490	5,571
Investment	1,724	1,000	1,636
Miscellaneous (Note 7)	1,413	118	178
	73,201	73,484	66,257
Expenditure			
Personnel (Note 8)	45,121	45,958	45,695
Buildings	6,094	6,054	5,701
Abandonment and enforcement	3,961	7,625	4,024
Contract services	3,207	2,088	2,586
Computer services	3,195	3,414	2,639
Administrative	2,437	2,478	1,929
Travel and transportation	2,004	2,122	1,843
Amortization	1,597	1,600	1,052
Equipment rent and maintenance	507	610	560
Miscellaneous	105	136	100
	68,228	72,085	66,129
Revenue in excess of expenditure	4,973	1,399	128
Net assets, beginning of year (Note 10)	24,420	24,420	24,292
Net assets, end of year	$ 29,393	$ 25,819	$ 24,420

Alberta Energy and Utilities Board

Energy Resources and Well Abandonment Funds

Statement of Changes in Financial Position for the Year Ended March 31, 2000

(thousands of dollars)

		2000		*(Restated)* 1999
Operating Activities				
Revenue in excess of expenditure	$	4,973	$	128
Non-cash expenditures				
Pension expense (Note 10)		3,110		3,181
Amortization of capital assets		1,597		1,052
Changes in operating non-cash working capital				
Accounts receivable		(246)		(997)
Prepaid expenses		(51)		(116)
Accounts payable		3,677		(1,908)
Change in accrued vacation		(422)		404
		12,638		1,744
Investing and Financing Activities				
Investment in capital assets		(4,156)		(3,825)
Lease incentives received		133		793
Lease incentives repaid		(78)		–
Pension obligations funded		(3,491)		(3,846)
		(7,592)		(6,878)
Increase (decrease) in cash during the year		5,046		(5,134)
Cash and investments, beginning of year		16,092		21,226
Cash and investments, end of year	$	21,138	$	16,092

Alberta Energy and Utilities Board

Notes to the Financial Statements March 31, 2000

Note 1 – Authority and Purpose

The Alberta Energy and Utilities Board (EUB) operates under the authority of the Alberta Energy and Utilities Board Act, Chapter A-19.5, Statutes of Alberta. The EUB's mission is to ensure that the discovery, development and delivery of Alberta's resources take place in a manner that is fair, responsible and in the public interest.

Note 2 – Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles and include the following significant policies:

(a) Fund Accounting

The accounts of the EUB are maintained in accordance with the principles of fund accounting in order to recognize the intended purpose of available resources. These funds are classified as follows:

Energy Resources Fund
This fund accounts for the EUB's operating activities in relation to regulating the resource and utility industries.

Well Abandonment Fund
This fund accounts for the industry-funded initiative to ensure that wells, facilities and pipelines that have no registered owner are abandoned and reclaimed in an orderly and safe manner.

(b) Capital Assets

All tangible and intangible assets with an economic life greater than one year are recorded at cost or appraised value for donated assets. These assets are then amortized, using the straight-line method, over the following estimated useful lives:

Computer software	5 years
Furniture and equipment	3 to 20 years
Computer hardware	3 to 5 years
Leasehold improvements	Lease term

(c) Accrued Vacation

Vacation entitlement is expended in the year earned. A liability is accrued, representing any future obligation that will be taken in kind or paid upon employment termination.

Note 3 – Cash and Investments

Cash and investments consist of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. The Fund is managed by the Department of Treasury with the objective of providing competitive interest income to depositors while maintaining the security and liquidity of depositors' capital. The portfolio comprises high-quality short-term and mid-term

fixed-income securities with a maximum term to maturity of five years. Due to the short-term nature of the Fund's investments, the carrying value approximates fair value.

Note 4 – Funds Held on Behalf of Others

The EUB collects cash deposits to ensure the proper abandonment of oil and gas wells. As the deposits along with interest earned are returned to the registered owner upon compliance, these deposits are not available for operations. It is anticipated that a portion of these deposits will be refunded and replaced with another form of security.

Note 5 – Deferred Pension Assets

The EUB participates with other related government entities in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The EUB also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers established by the Alberta government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $1,920,200 for the year ended March 31, 2000 (1999: $1,967,700).

To compensate senior staff who do not participate in the Management Employees Pension Plan, the EUB maintains a defined benefit Senior Employees Pension Plan and non-contributory supplementary benefit plans. The supplementary benefit plans provide additional retirement compensation to the extent that statutory guidelines and plan amendments limit benefits under the Senior Employees Pension Plan. These plans provide pensions for EUB's employees based on years of service and average earnings at retirement.

The unfunded pension obligation for the Senior Employees Pension Plan and supplementary benefit plans is an extrapolation of the actuarial valuation completed as at December 31, 1997. The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in computing the projected benefit obligation include:

Investment return	7.5 per cent per annum
Inflation	3.5 per cent per annum
Salary increase rate	75 per cent of inflation, plus merit and promotion
Cost-of-living increase	60 per cent of inflation

The funded status and amounts recognized in the Statement of Net Assets are as follows:

	Senior Employees Pension Plan		Supplementary Benefit Plans	
	2000	**1999**	**2000**	**1999**
	(thousands of dollars)			
Assets at market value	$ 12,252	$ 10,474	$ 232	$ –
Actuarial liabilities	10,736	9,830	1,499	1,554
Net assets (obligations)	1,516	644	(1,267)	(1,554)
Unamortized costs	4,671	5,335	804	919
Deferred pension assets (liabilities)	$ 6,187	$ 5,979	$ (463)	$ (635)

The expense for these pension plans is $1,189,900 for the year ended March 31, 2000 (1999: $1,213,300). Pension expense includes the cost of current service plus any gains or losses resulting from experience adjustments, changes in assumptions and prior service. The gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group.

Note 6 – Capital Assets

	2000			1999
	Cost	**Accumulated Amortization**	**Net Asset Value**	**Net Asset Value**
	(thousands of dollars)			
Computer software	$ 13,455	$ 10,074	$ 3,381	$ 1,999
Software under development	1,613	–	1,613	1,332
Computer hardware	3,512	1,654	1,858	938
Furniture and equipment	3,450	2,314	1,136	1,074
Leasehold improvements	1,553	744	809	895
Land	320	–	320	320
	$ 23,903	$ 14,786	$ 9,117	$ 6,558

Note 7 – Miscellaneous Revenue

Miscellaneous revenue includes a gain of $730,000 from the demutualization of the EUB's health insurance carrier.

Note 8 – Board Member Salaries, Benefits and Allowances

	2000			1999
	Salary [a]	Benefits and Allowances [b]	Total	Total
Chair 1 [c]	$ 167,594	$ 41,320	$ 208,914	$ 124,936
Chair 2 [d]	–	–	–	49,938
Board Member 1	126,713	43,036	169,749	146,576
Board Member 2 [e]	120,994	29,609	150,603	58,700
Board Member 3	120,994	39,549	160,543	125,430
Board Member 4	120,994	28,794	149,788	122,199
Board Member 5	120,994	32,851	153,845	117,217
Board Member 6 [c]	120,994	30,869	151,863	70,104
Board Member 7 [c] [e]	97,823	25,634	123,457	62,023
Board Member 8 [c]	35,986	11,830	47,816	–
Board Member 9 [d]	5,077	11,895	16,972	147,860
Board Member 10 [d]	–	–	–	26,801

(a) Includes all paid and payable salary and bonuses.

(b) Includes the employer's share of all payments to or on behalf of Board Members, including pension, insurance, health benefits, professional development, and payments in lieu of vacation. Automobiles were provided, but no amount is included in these figures.

(c) Board Members who have commenced employment during the current or previous fiscal year.

(d) Board Members who have retired or terminated employment during the current or previous fiscal year.

(e) This Board Member also serves as the Chairman of the Natural Resources Conservation Board (NRCB) for 20 per cent of his time effective January 1, 1999. Salary, benefits and allowances associated with NRCB service are not included in these figures.

Note 9 – Inter-fund Transfers

During the current fiscal year, the Well Abandonment Fund transferred $535,000 (1999: $1,447,000) to the Energy Resources Fund as compensation for expenditures incurred to ensure the proper abandonment of oil and gas wells subsequently determined to be orphans.

Note 10 – Change in Accounting Policy

The EUB has changed the method used to account for its participation in multi-employer pension plans to a defined contribution basis. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of this change, Net Assets as at April 1, 1998, has been increased by $1,569,000. As at March 31, 1999, Deferred Pension Assets and Net Assets have increased by $1,424,000, and pension expense has increased by $145,000 for the year ended March 31, 1999. Had the EUB continued to account for pensions using the previous method, pension expense would be $955,000 less than that reported for the current year.

Note 11 – Future Operating Lease Commitments

The EUB leases office premises with minimum lease terms ranging from one to 10 years and leases a research facility with a remaining term of eighty-six years. The EUB has received cash incentives as a component of certain leases, and these incentives will reduce future lease costs. The future minimum lease payments, net of lease incentives, are as follows:

	(thousands of dollars)
2000-2001	$ 3,979
2001-2002	3,968
2002-2003	3,927
2003-2004	3,927
2004-2005	3,927
Thereafter	24,708
	$ 44,436

Note 12 – Comparative Figures

The current-year budget and prior-year actual results are presented for comparative purposes. The prior-year figures have been reclassified to conform to current presentation.

Note 13 – Related Party Transactions

During the current year the EUB paid $2,756,300 (1999: $2,263,100) to various other Government of Alberta departments, agencies, or funds for supplies and/or services during the fiscal year. The EUB has received $14,315,600 (1999: $13,865,000) in grants from the Province of Alberta and has accrued an additional $1,744,800 for the current fiscal year (1999: $1,201,000). In addition, the EUB received the benefit of additional services from other government organizations at no cost, but these services had an estimated value of $310,00.

Note 14 – Approval of Financial Statements

These financial statements were approved by the Board of the EUB.

Alberta Energy and Utilities Board

Schedule of Net Assets by Fund as at March 31,2000 *(thousands of dollars)*

Schedule One

	Energy Resources		Well Abandonment		Total	
		(Restated)				*(Restated)*
	2000	**1999**	**2000**	**1999**	**2000**	**1999**
Assets						
Cash and investments (Note 3)	$ 13,115	$ 8,673	$ 8,023	$ 7,419	$21,138	$16,092
Funds held on behalf of others (Note 4)	40,924	14,614	–	–	40,924	14,614
Accounts receivable	3,325	3,067	5	17	3,330	3,084
Prepaid expenses	586	535	–	–	586	535
Current assets	57,950	26,889	8,028	7,436	65,978	34,325
Deferred pension assets (Note 5)	5,724	5,344	–	–	5,724	5,344
Capital assets (Note 6)	9,117	6,558	–	–	9,117	6,558
	$ 72,791	$38,791	$ 8,028	$ 7,436	$80,819	$46,227
Liabilities and Net Assets						
Accounts payable	$ 5,424	$ 2,615	$ 996	$ 128	$ 6,420	$ 2,743
Funds held on behalf of others (Note 4)	40,924	14,614	–	–	40,924	14,614
Current portion of long-term liabilities	2,182	2,678	–	–	2,182	2,678
Current liabilities	48,530	19,907	996	128	49,526	20,035
Accrued vacation	1,137	1,058	–	–	1,137	1,058
Deferred lease incentives	763	714	–	–	763	714
Total liabilities	50,430	21,679	996	128	51,426	21,807
Working capital *	9,420	6,982	7,032	7,308	16,452	14,290
Long-term equity	12,941	10,130	–	–	12,941	10,130
Net assets	22,361	17,112	7,032	7,308	29,393	24,420
	$ 72,791	$38,791	$ 8,028	$ 7,436	$80,819	$46,227

* Working capital reflects current assets less current liabilities.

Alberta Energy and Utilities Board

Schedule of Revenue and Expenditure by Fund for the Year Ended March 31, 2000
(thousands of dollars)

Schedule Two

	Energy Resources		(Restated)	Well Abandonment			Total		(Restated)
	2000		1999	2000		1999	2000		1999
	Actual	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Actual
Revenue									
Industry levies and assessments	$ 46,342	$ 47,517	$ 40,717	$ 2,158	$ 6,765	$ 3,089	$ 48,500	$ 54,282	$ 43,806
Provincial contributions	16,060	13,594	15,066	–	–	–	16,060	13,594	15,066
Information, services and fees	4,564	3,990	4,811	940	500	760	5,504	4,490	5,571
Investment	1,289	850	1,200	435	150	436	1,724	1,000	1,636
Miscellaneous (Note 7)	1,401	108	171	12	10	7	1,413	118	178
	69,656	66,059	61,965	3,545	7,425	4,292	73,201	73,484	66,257
Expenditure									
Personnel (Note 8)	45,121	45,958	45,695	–	–	–	45,121	45,958	45,695
Buildings	6,094	6,054	5,701	–	–	–	6,094	6,054	5,701
Abandonment and enforcement	867	1,000	813	3,094	6,625	3,211	3,961	7,625	4,024
Contract services	3,048	1,914	2,433	159	174	153	3,207	2,088	2,586
Computer services	3,195	3,414	2,639	–	–	–	3,195	3,414	2,639
Administrative	2,413	2,466	1,926	24	12	3	2,437	2,478	1,929
Travel and transportation	1,995	2,110	1,834	9	12	9	2,004	2,122	1,843
Amortization	1,597	1,600	1,052	–	–	–	1,597	1,600	1,052
Equipment rent and maintenance	507	610	560	–	–	–	507	610	560
Miscellaneous	105	134	99	–	2	1	105	136	100
	64,942	65,260	62,752	3,286	6,825	3,377	68,228	72,085	66,129
Revenue in excess of expenditure	4,714	799	(787)	259	600	915	4,973	1,399	128
Inter-fund transfers (Note 9)	535	–	1,447	(535)	–	(1,447)	–	–	–
Net assets, beginning of year (Note 10)	17,112	17,112	16,452	7,308	7,308	7,840	24,420	24,420	24,292
Net assets, end of year	$ 22,361	$ 17,911	$ 17,112	$ 7,032	$ 7,908	$ 7,308	$ 29,393	$ 25,819	$ 24,420

Alberta Petroleum Marketing Commission

Financial Statements December 31, 1999

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Auditor's Report

To the Members of the Alberta Petroleum Marketing Commission

I have audited the statement of financial position of the Alberta Petroleum Marketing Commission as at December 31, 1999 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

May 19, 2000

Alberta Petroleum Marketing Commission

***Statement of Operations for the year ended December 31, 1999** (in thousands)*

	1999	1998
Crude oil revenue	$ 935,451	$ 1,065,926
Expenditures		
Other crude oil purchases	23,172	472,360
Purchases under exchange agreements	85,342	54,093
Transportation	55,743	73,234
Marketing fees	1,582	2,134
	165,839	601,821
Excess of revenue over expenditures	769,612	464,105
Other revenue		
Cost recoveries	2,147	54,306
Interest earned	303	378
Other	7	16
	2,457	54,700
Net revenue to transfer to the Province of Alberta	772,069	518,805
Due to the Province of Alberta, beginning of year	99,149	155,400
Cash transferred to the Province of Alberta	(716,298)	(575,056)
Due to the Province of Alberta, end of year	$ 154,920	$ 99,149

The accompanying notes and schedule are part of these financial statements.

Alberta Petroleum Marketing Commission

Statement of Changes in Financial Position for the year ended December 31, 1999
(in thousands)

	1999	1998
Cash provided by operating activities		
Net revenue to transfer to the Province of Alberta	$ 772,069	$ 518,805
Change in non-cash working capital		
Accounts receivable	(37,527)	39,221
Inventory	(14,735)	43,335
Accounts payable	(152)	(32,607)
Cash provided	719,655	568,754
Cash transferred to the Province of Alberta	(716,298)	(575,056)
Net cash provided (used)	3,357	(6,302)
Cash at beginning of year	3,637	9,939
Cash at end of year	$ 6,994	$ 3,637

The accompanying notes and schedule are part of these financial statements.

Alberta Petroleum Marketing Commission

***Statement of Financial Position as at December 31, 1999** (in thousands)*

	1999	1998
Assets		
Cash and short-term investments (Note 3)	$ 6,994	$ 3,637
Accounts receivable (Note 4)	124,423	86,896
Inventory	47,277	32,542
	$ 178,694	$ 123,075
Liabilities		
Accounts Payable (Note 5)	$ 23,774	$ 23,926
Due to the Province of Alberta	154,920	99,149
	$ 178,694	$ 123,075

The accompanying notes and schedule are part of these financial statements.

Alberta Petroleum Marketing Commission

Notes to the Financial Statements December 31, 1999
(in thousands)

Note 1 – Authority

The Alberta Petroleum Marketing Commission (the "Commission") operates under the authority of the Petroleum Marketing Act, Chapter P-5, Revised Statutes of Alberta 1980, as amended, and the Natural Gas Marketing Act, Chapter N-2.8, Statutes of Alberta 1986, as amended. This legislation designates the Commission as agent of the Province of Alberta to accept delivery of and market the Crown royalty share of crude oil.

Note 2 – Significant Accounting Policies

a) Crude Oil Revenue
Revenue is recognized when the Commission accepts delivery of crude oil. The value is determined based on the actual sales prices.

b) Inventory
Inventory represents oil in feeder and trunk pipelines. At the balance sheet date inventories are stated at net realizable value.

c) Financial Instruments
Currency and price risks are inherent in the sale and purchase of crude oil. Sales proceeds are remitted to the Commission in Canadian funds and foreign currencies are converted to Canadian funds at daily or average monthly rates on or near payment due date. Operational oil price hedging may be used to address risk. The fair values of the Commission's assets and liabilities approximate their carrying values as at December 31, 1999.

Note 3 – Cash and Short-term Investments

Cash and short-term investments consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term of five years. The carrying value approximates fair value due to the short-term nature of the CCITF investments.

Note 4 – Accounts Receivable

	1999	1998
Crude oil sales	$ 124,423	$ 49,043
Cost recoveries	–	37,853
	$ 124,423	$ 86,896

Note 5 – Accounts Payable

	1999	1998
Transportation and purchases	$ 17,376	$ 21,528
Goods and services tax	6,398	2,398
	$ 23,774	$ 23,926

Note 6 – Commitments

The Commission has allocated a portion of its anticipated pipeline requirements to firm transportation agreements of up to 12 years. These agreements obligate the Commission to pay tariff charges for contracted volumes in accordance with contracted rates. The aggregate estimated commitment at December 31, 1999 is $128,022 (1998-$150,502). This commitment will be paid from future oil royalty revenue. Costs for these pipeline services are expected to be within the range of normal transportation costs.

Note 7 – Related Party Transactions

The Commission accepts delivery of and markets the Crown royalty share of crude oil. The Commission remits the proceeds from the sale of the Crown royalty share of crude oil to the Department of Resource Development.

Note 8 – Approval of Financial Statements

Members of the Commission have approved these financial statements.

Alberta Petroleum Marketing Commission

***Schedule of Operations by Program for the year ended December 31, 1999** (in thousands)*

	1999			1998
	Crown Royalty Program	Alternative Markets Program	Total	Total
Crude oil revenue	$ 935,444	$ 7	$ 935,451	$1,065,926
Expenditures				
Other crude oil purchases	23,172	–	23,172	472,360
Purchases under exchange agreements	85,342	–	85,342	54,093
Transportation	54,002	1,741	55,743	73,234
Marketing fees	1,582	–	1,582	2,134
	164,098	1,741	165,839	601,821
Excess of revenue over expenditures	771,346	(1,734)	769,612	464,105
Other revenue				
Cost recoveries	1	2,146	2,147	54,306
Interest earned	303	–	303	378
Other	7	–	7	16
	311	2,146	2,457	54,700
Net revenue to transfer to the Province of Alberta	$ 771,657	$ 412	$ 772,069	$ 518,805

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Alphabetical List of Entities' Financial Information in Ministry Annual Reports

Entities included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Innovation and Science
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc.	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Oil Sands Technology and Research Authority	Innovation and Science
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science, Research and Technology Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Awasak Child and Family Services Authority	Children's Services
Calgary Rocky View Child and Family Services Authority	Children's Services
Child and Family Services Authority – Region 13	Children's Services
Child and Family Services Authority – Region 14	Children's Services
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Department of Justice	Justice
Department of Learning	Learning
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Diamond Willow Child and Family Services Authority	Children's Services
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Hearthstone Child and Family Services Authority	Children's Services
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Keystone Child and Family Services Authority	Children's Services
Lottery Fund	Gaming
Ma'Mowe Capital Region Child and Family Services Authority	Children's Services
Metis Settlements Child and Family Services Authority	Children's Services
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development1	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council ?	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services1	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment1	Human Resources and Employment
Ministry of Infrastructure1	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations1	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs1	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment
Neegan Awas'sak Child and Family Services Authority	Children's Services
Persons with Developmental Disabilities Calgary Region Community Board	Health and Wellness
Persons with Developmental Disabilities Central Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Edmonton Community Board	Health and Wellness
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Northeast Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Northwest Alberta Community Board	Health and Wellness

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Persons with Developmental Disabilities Provincial Board	Health and Wellness
Persons with Developmental Disabilities South Alberta Community Board	Health and Wellness
Ribstone Child and Family Services Authority	Children's Services
S C Financial Ltd.	Treasury
Sakaigun Asky Child and Family Services Authority	Children's Services
Sakaw Askiy Child and Family Services Authority	Children's Services
Silver Birch Child and Family Services Authority	Children's Services
Southeast Alberta Child and Family Services Authority	Children's Services
Sun Country Child and Family Services Authority	Children's Services
Supplementary Retirement Plan Reserve Fund	Treasury
Victims of Crime Fund	Justice
West Yellowhead Child and Family Services Authority	Children's Services
Wild Rose Foundation, The	Community Development
Windsong Child and Family Services Authority	Children's Services

[1] Ministry includes only the Department so separate Department financial statements are not necessary.

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	*Ministry Annual Report*
Alberta Cancer Board	Health and Wellness
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan -Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan -Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment

For additional copies, contact:

Communications Branch
Alberta Department of Resource Development
11th Floor, Petroleum Plaza North
9945 – 108 Street
Edmonton, Alberta
T5K 2G6

Tel: (780) 427-1083
Fax: (780) 422-0698

Information Services
Alberta Energy and Utilities Board
640 – 5 Avenue SW
Calgary, Alberta
T2P 3G4

Tel: (403) 297-8190
Fax: (403) 297-7040

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The 1999-2000 Annual Report is available on the following Internet website: http://www.resdev.gov.ab.ca/depart/how/9990.htm

Other information about the Alberta Department of Resource Development and the Alberta Energy and Utilities Board are available on the following Internet websites:
Alberta Department of Resource Development – http://www.resdev.gov.ab.ca
Alberta Energy and Utilities Board – http://www.eub.gov.ab.ca